Poor growth performance plagues tourism

Economics Correspondent

BUOYED up by the promise of increased foreign exchange earnings, the Government has poured resources into stimulating tourism. But so far, a highly profitable tourist industry is no more of a reality than gold at the end of the rainbow.

Travel between countries in and around the Pacific has boomed in recent years. Growth in international jet services made this country more accessible. But access alone is not enough reason to tempt tourists to tarry here long enough to part with substantial amounts of foreign exchange.

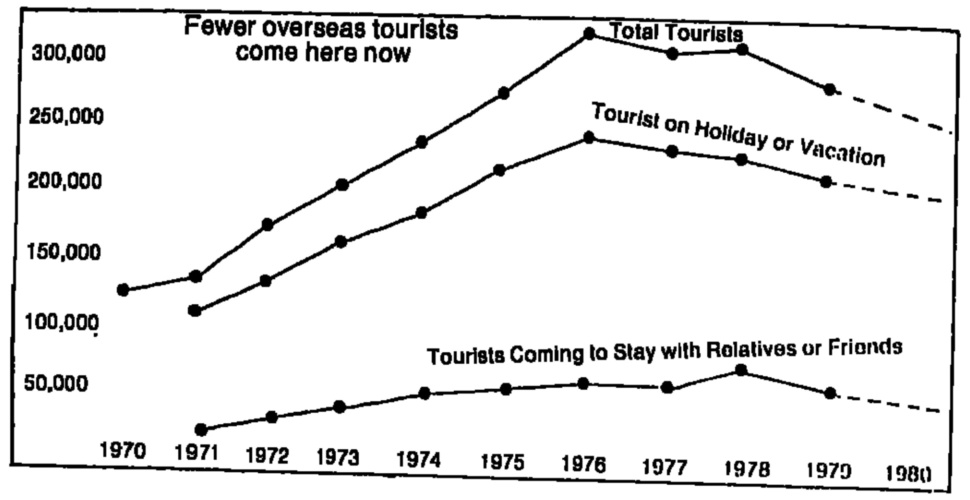
For a start, there are not enough comfortable beds in the cities where tourists might first stop over.

Beds are a real backache for the tourist industry. Overseas tourist arrivals are highest from October to March, the same time that most of the locals are on holiday. This can impose a considerable strain on available hotel accommodation.

But the tourist accommodation industry has not easily attracted private investors. A combination of rising costs and unstable tourist demand has caused poor profit performance in recent years.

So the Government has used its own resources to nudge the tourist industry along.

Government support is provided though the Tourist Accommodation Development Scheme controlled by the Development Finance Corporation. Last year the DFC approved loans of nearly $30 million for the funding of seven hotels and motels in preferred tourist destinations.



These loans will add approximately 1000 beds.

The DFC has identified four priority areas where it thinks hotels should be provided.

More hotel and motel rooms are required in Auckland to meet a current shortfall. The second priority is to build another international class hotel in Auckland. Further accommodation facilities would enhance tourism in the Bay of Islands, Rotorua, Wellington, Christchurch and the southern lakes. And the DFC lists a new international class hotel in Wellington as its fourth priority.

To give developers of new accommodation enough time to get on their feet, the DFC funds approved projects for 15 to 20 years. The DFC also assists tourism by financing tourist transport and skiing.

Another Government measure aimed at increasing the foreign exchange earnings from tourism is the export performance taxation incentive. Under this scheme, tourist service firms who earn foreign exchange are treated similiarly tax-wise to exporters of goods.

Tourist service firms save tax by selling their services overseas and remitting their overseas earnings into the banking system here. The resulting tax savings are intended to provide tourist businesses with more resources to develop local services.

The Government said in this year's Budget: "The application of these new schemes to services exporters will provide a major boost to these sectors, which will enable them more fully to realise their considerable potential to earn foreign exchange."

But while the National Government is keen to find ways of earning more foreign exchange, it has also shown a determination to cut back its own activities and promote private enterprise.

With this in mind, the Government recently gave serious consideration to a plan to lop off the commercial arm of the Tourist and Publicity Department. The Government Tourist Bureau was to be sold to a private interest.

The idea was that profit-motivated private industry would promote and hard-sell domestic travel to the locals, reducing the number that travel overseas. Also, it would be motivated to take advantage of tax incentives to push sales of tourism services overseas.

The reality is, the private sector would be more involved in tourism if there was any money in it.

As the graph shows, the number of tourists coming here now is much greater than it was at the beginning of the 1970s. But recently, growth in tourist numbers has begun to fall.

Things did look promising for the tourist industry at one time. Between 1965 and 1970, the surge in international travel resulted in almost doubling the annual total of overseas visitors. Between 1971 and 1976, the number of tourists coming here more than doubled.

Growth in the number of tourists during the late 1960s and most of the 1970s stimulated enterprise. Hotel and motel building surged ahead. Complementary transport and other service facilities were also developed ... scenic routes were mapped ... to take advantage of the ... vices offered in major ... areas.

National Airways Corporation was in its heyday ... could provide a ... convenient air services ... New Zealand began to acquire DC 10s.

In the late 1960s and ... 1970s, New Zealanders had not begun to travel ... in large numbers. ... from overseas tourists ... noticeable impact on ... ing the balance of pay...

But holidays overseas ... among the most easily dispensable luxuries ... money becomes tight ... economic future uncertain.

The oil crisis helped ... on a world recession ... 1970s. As growth in the ... economies fell back ... costs accelerated ... inflation fueled by ... rises, the number of ... coming here began ... after peaking at ... 313,000 in 1976.

The hotel/motel ... suffered because of the ... overseas guests and ... greater proportion of ... who came now stayed ... relatives or friends. To ... insult to injury, the ... New Zealanders vacationing in hotels and motels declined.

One area of tourism ... the Government is ... back its activities is the Tourist and Hotel Corporation ... early part of this century ... Government acquired a ... tional chain of resort ... from private enterprise ... sure maintenance of ... standards of hotel keeping ... But now the Government ... more interested in making profits than it is in provi... high standards of service.

The Tourist Hotel Corporation has been restrained from expanding its sphere ... activities so that there is ... for private enterprise ... develop. Trouble is, private enterprise does not seem ... interested.

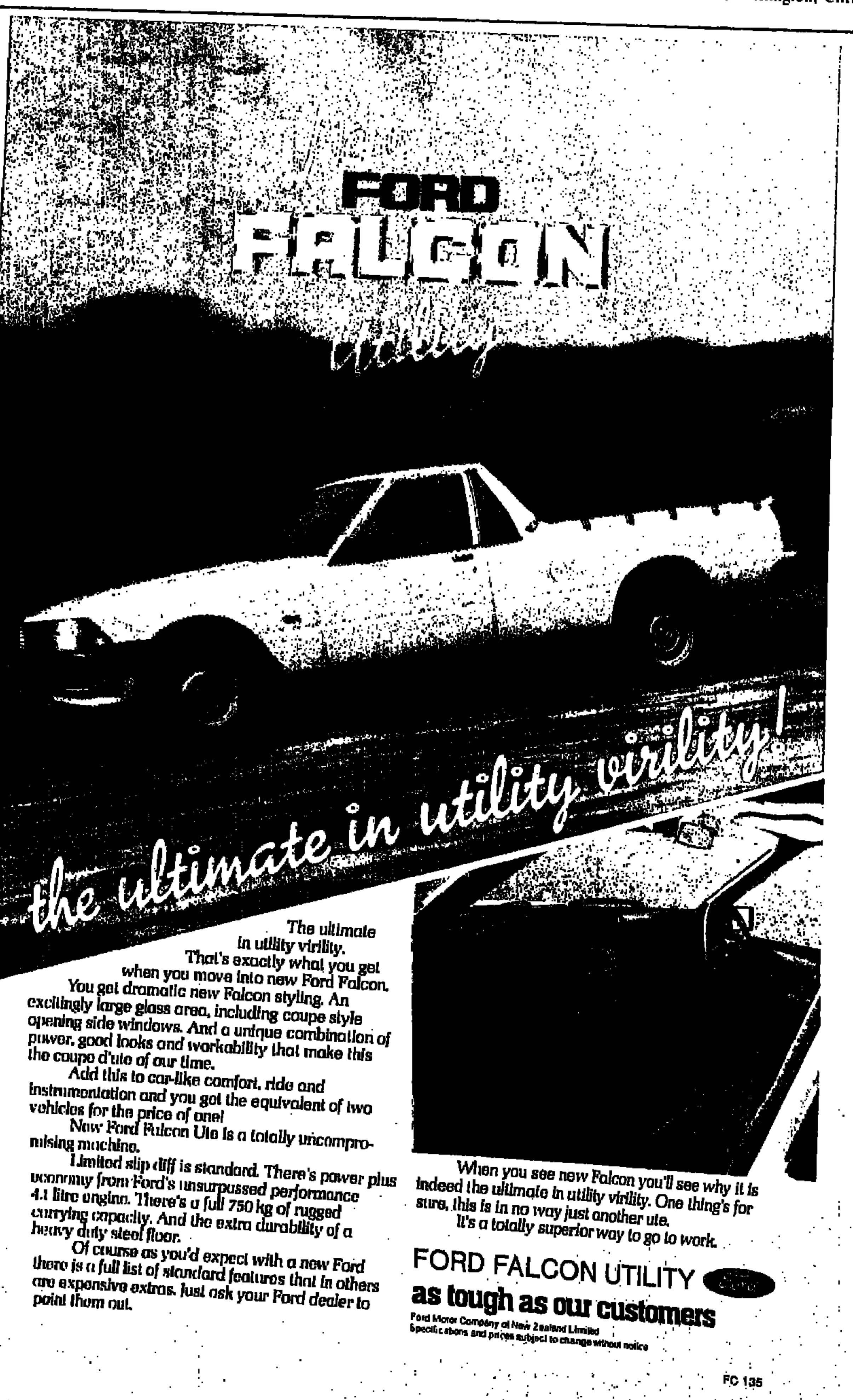
And the Tourist Hotel Corporation complains that ... is no longer in a position ... increase its own profits. ... claims that inability to offset increased overheads against increased activity has resulted in a drop in its net trading profit.

When it comes to tourism ... private enterprise Government is caught in a chicken and egg dilemma. Which comes first, tourists or profits?

In the absence of private investment, should the Government continue to commit public resources to providing tourist services and advertising ... Zealand's charms to attract overseas tourists, and in that way attract private investors? Or should the Government cut its losses and opt out of the low profit ... industry in the hope that ... more efficient private investor will come along an run things better?

One of the first Government services to get the axe might well be Air New Zealand.

As a leading British economist Arthur Seldon said recently: "New Zealand is a beautiful country. Its market for tourism could be greatly increased if competition for air fares were introduced from someone like Freddie Laker. His cut rate fares have revolutionised air travel, and could see a great market for many overseas relatives of New Zealanders, who cannot afford to visit them at present."



Volume 10, No. 12 (Issue 377) April 7, 1980 ISSN 0110-6813

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents

Inside


Harold Titter

Magazines for charities and unions form REM business

by Warren Berryman

MAJOR companies have been buying hundreds of thousands of dollars of advertising in magazines produced by an Auckland publishing house.

The publishing house, REM Printing and Publishing (sometimes known as Direct Publications) is an unregistered company run by partners Terrance Lambert and Brian McSweeney.

REM publishes several magazines for trade unions, charitable, and educational groups.

REM partner Terrance Lambert declined to name all his publications for *National Business Review.*

But a cross-check of phone and post box numbers links the following stable of magazines to REM's Wyndham Street office

- *Port News* — the organ for the Auckland Waterside Workers Industrial Union of Workers:
- *Riding Fall* — "the official publication of the New Zealand Riding for the Disabled Association Inc.";
- *The Journal* — "the official journal of the Institute of New Zealand Plumbing and Drainage Inspectors Inc.";
- *Firelines* — "the official publication of the New Zealand Fire Service Employees Society Inc." (now published for the Fire Brigades Union):
- *New Zealand Building Inspector* — "the official journal of the New Zealand Institute of Building Inspectors":
- *The New Zealand Farmworker* — "the official journal of the New Zealand Farm Workers Association Inc":
- *Proceedings* — published for the Auckland University Engineering Society:
- *Ambulance News* — "the official magazine of the National Ambulance Officers Training School"
- A magazine for the 28th Maori Battalion.

A number of advertisers told *NBR* they did not buy space in REM's magazines to sell their products or promote their corporate image. In strict advertising terms, they claimed, the money spent was largely wasted.

These advertisers claimed they bought space in the trade union magazines to buy industrial peace, and in other magazines to support worthy causes.

Almost every advertiser surveyed by *National Business Review* claimed to have bought the advertising on the assumption that advertising dollars would support rank and file union members or a worthy cause

But it appears that at least some of the organisations in whose name REM publishes receive little or nothing from the profits generated by advertising revenue.

Some companies whose advertisements have appeared in recent REM publications claimed that the advertisements had been published without proper authorisation, and that REM has billed them for "unauthorised" ads.

REM principals Lambert and McSweeney deny that they have published "unauthorised" advertisements.

McSweeney swore an affidavit to this effect in injunction proceedings in which he sought to prevent publication by *NBR* of any suggestion that he or his partner had placed advertisements in their publications without the authority of the advertisers

Just who advertisers deal with at REM is not clear, but, despite Lambert and McSweeney's denials some advertisers in REM's magazines complain of unauthorised advertisements

Some companies say they have inadvertently paid REM for "unauthorised" ads.

At least one company has taken legal steps to recover money allegedly paid to REM for "unauthorised" advertising.

In other cases, bills from REM for ads have run through companies accounting systems and been paid on the assumption that someone higher up had authorised the advertising.

Some companies now say they had been paying for ads in magazines they had either never heard of, or would not choose to advertise in.

NBR, on checking with advertisers, also heard several complaints of ads used in REM publications being out of date and out of line with current marketing strategies.

Some companies could not explain how their ads got in REM publications because they had not supplied copy. In these cases, companies said they advertised in other trade publications, then found the same ad later in a REM magazine.

REM has not replied to the written questions from *NBR* which were requested by them. REM's reply to these allegations cannot be published.

Port News carries denial

by Warren Berryman

AUCKLAND Watersiders Union officials have emphasised that they do not condone coercion by advertising salesmen trying to sell space in the union publication *Port News*, and that they are unaware of any such actions.

Some companies which advertise in *Port News* told *NBR* they felt an ad in *Port News* was a good public relations gesture towards the wharfies who handled their goods.

Others said they advertised to "buy industrial peace" or to insure against their goods being delayed or damaged on the wharf.

In most cases, spokesmen from the companies concerned said they just "assumed," or "understood" that an ad in *Port News* would help buy industrial peace.

This assumption was based on another assumption — that the wharfies were receiving some financial benefit from the magazine.

Union secretary, Scott Ritchie and president Jack Clare hotly denied that the union would be involved in what they called "industrial blackmail" — the suggestion that advertisers might be buying industrial peace.

They pointed out that union members did not receive financial benefit from the magazine.

Ritchie said he was concerned that his union's image might be blackened by any suggestion — either real or imagined — that the union would condone such practices.

Ritchie said his union had received complaints from advertisers in the past about the methods used by REM ad salesmen. He had relayed these complaints on to REM, he said.

Ryan told *NBR* he knew nothing about the business side of the magazine.

He said there had been complaints of intimidation from advertisers two years ago. But he said these complaints stemmed from the actions of one of REM's ad salesmen and this man had been sacked.

The wharfies union executive has, in the past, considered taking their magazine away from REM. But a majority of the executive voted against this.

In the early 1970s a letter from union executive told REM of complaints from advertisers and asked REM to make sure its ad salesmen stopped telling large industrial firms to advertise or else and to cease "standover" or "mafia tactics".

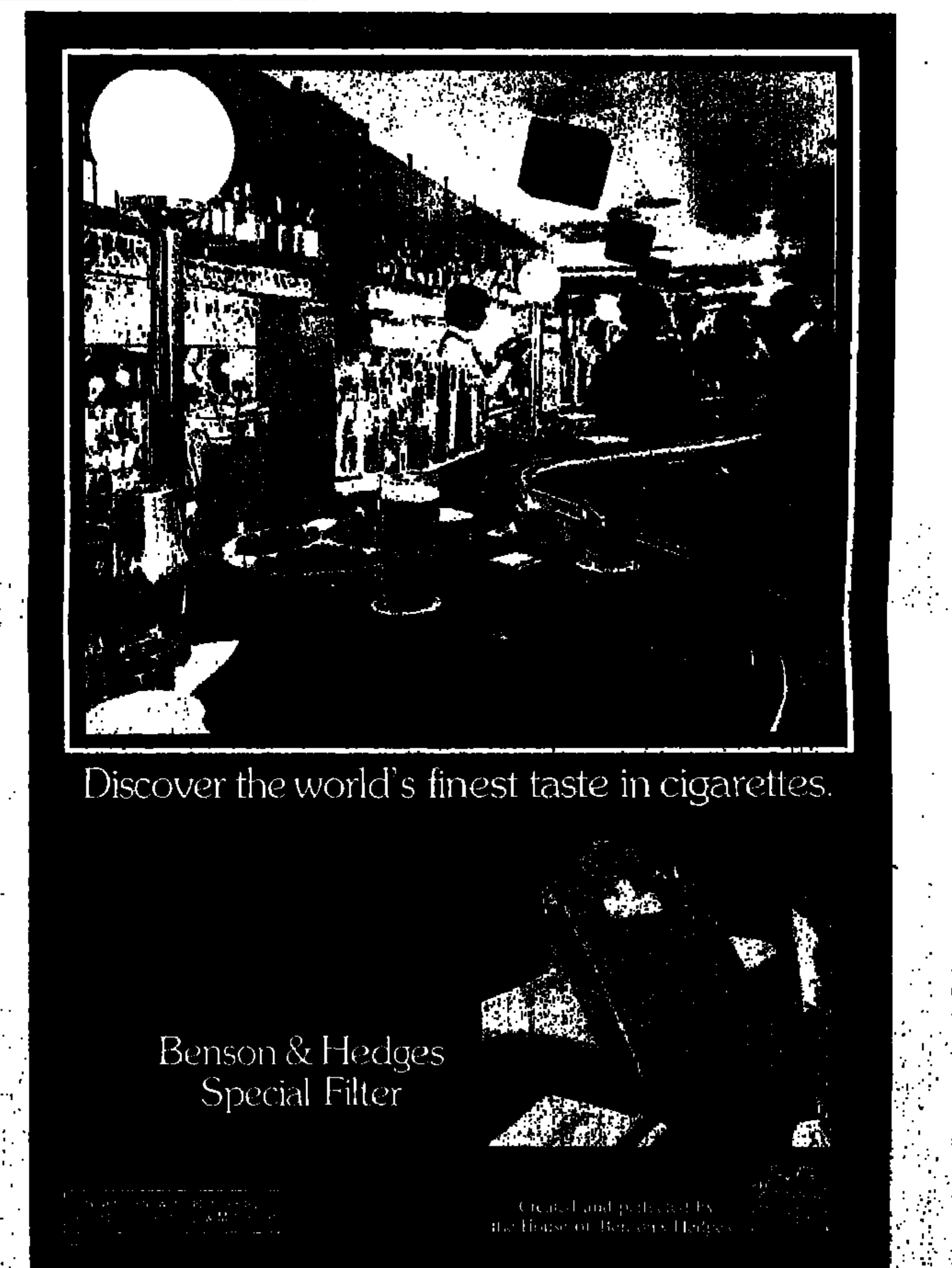
The union told REM it was concerned that REM ad salesmen were jeopardising the union's good name.

The latest issue of *Port News* carried a centrefold message to readers and advertisers referring to comments made in a suburban newspaper.

This "newspaper", presumably was the *Franklin Courier*, which had carried a story about *Port News* based on statements made by Strike-Free organiser Chris Harder.

The statement read: "The Auckland Waterside Workers Union wishes to state categorically that it neither condones nor is aware of any coercion by salesmen to put pressure on companies to advertise in *Port News*. . ."

Continued on Page 15



The week

Johnston rejected

THE Johnston Report recommendation that sex education be taught in all primary schools was rejected by the Government, and implementation of the less controversial recommendations was put off to a later date.

IRAN's President Abolhassan Badi-Sadr made it clear at a public address that American hostages in Iran are likely to be transferred to Government care if America "stopped plotting against Iran". As a result President Carter deferred *unilateral* action against Iran.

PETROCORP's proposed 1200-tonne-a-day methonal plant got the Government go-ahead.

COMALCO made a proposal for using surplus electric power in the South Island, which includes a plan to build a fourth and fifth pot line in a new smelter at Tiwai Point as well as three downstream industries providing employment for up to 6000 people.

AIR New Zealand intends to buy five Boeing 747 jumbojets costing about $400 million, but has yet to win Government approval to fund the proposal.

WATERSIDERS accepted the 12 per cent wage increase offered by the Port Employers' Association, a come-down of 3 per cent on the amount they had demanded.

AIR New Zealand pilots asked for a 13 per cent pay increase. If granted, a top-ranking pilot's salary would increase by $6700 to $58,000.

US trade sunk to a record $5.57 billion deficit in February as a result of sharply increasing oil imports. The previous highest monthly deficit was $5.22 billion in February 1978.

BETWEEN 350 and 400 children of Australian Vietnam veterans were found to have birth defects, by the Vietnam Veterans Action Association.

TRANSPORT Minister Colin McLachlan decided not to stand for re-election in the next general election. He has been in and out of hospital several times over the last few years.

EXPELLED Russian Ambassador to new Zealand Vsevelod Sofinsky was appointed the USSR's principle adviser on foreign policy.

JOHN Martin was appointed director of the Planning Council, succeeding Ken Piddington who has been appointed Commissioner for the Environment.

JAMES Collins, OBE, was appointed chairman of the Industrial Design Council.

RICHARD Stratton, CMG, was appointed High Commissioner to Britain.

A SECRET Ministry of Foreign Affairs report investigating the validity of LATOS (language achievement test for overseas students) drew the anger of The Samoan Government. They regard the report as an indirect means of cutting down New Zealand aid to their country.

AUCKLAND Lawyer Doug Graham will contest the National Party nomination for Remuera despite the fact that sitting member and Internal Affairs Minister Allan Highet declared he would seek re-election.

THE world cocoa trade was shaken up when the less-developed producer nations asked for their money back from the international cocoa agreement stock fund, dissolving the cocoa pact.

THE Labour Party asked electorate organisations to increase their levies to head office by 50 per cent to increase funds for the election campaign.

The business week

Brother Distributors Ltd appointed A R Guthrey chairman of directors.

The Development Finance Corporation offered a 12 per cent interest rate for deposits of $100 or more as well as making the money repayable on demand.

Elos Dental and Surgical Supplies Ltd reported a tax-paid profit of $420,000 for the half-year to December 31 [$159,000 for same period the previous year]. An interim dividend of 10 per cent is payable on May 30.

Fletcher Group Ltd made a takeover offer of $4.25 a share for a total of $58 million on Carter Holt Holdings Ltd.

General Finance Ltd appointed S I Russell, C G Grice, J D Todd, N K Smith and K I Armstrong to the board.

Hanimex Corporation Ltd reported an unaudited tax-paid profit of $A3,683,000 for the half-year to December 31 [$A2,812,000 for same period the previous year]. An interim dividend of 4 per cent is payable on April 30.

James Aviation Ltd appointed Barry J Paterson to the board.

David Jones Ltd reported an unaudited tax-paid profit of $4,211,000 for the half-year to January 26 [$4,198,000 for same period last year]. A final ordinary dividend of 4c is payable on May 7.

NZ Forest Products appointed I L McKay and D H Wylie to the board.

North Broken Hill Holdings Ltd reported an interim dividend of 8c payable June 6.

M O'Brien and Company Ltd reported an unaudited tax-paid profit of $118,000 for the half-year to December 31 [$104,000 same period the previous year]. An unchanged interim dividend of 2.5 is payable on May 23.

The Permanent Investment Loan Association of Canterbury reported an interim dividend for the half-year to March 31 of 7 per cent payable on April 30.

Selby Shoe Co Ltd reported unaudited tax-paid profit $224,447 for the year to February 31 [$123,881 last year]. A final dividend of 8 per cent payable on May 28.

John Webster & Co Ltd appointed C B Wallace to the board.

A J White Ltd reported unaudited tax-paid profit $30,004 for the half-year to December 31 [$62,9.. for same period the previous year]. An interim dividend of 5.5 per cent is payable [illegible] 30.

The week ahead

MONDAY: Talley [illegible] Ltd's annual general [illegible]

TUESDAY: Dr C. Van der Klaauw, the [illegible] lands' Foreign Minister, arrives for a six-day [illegible]

Annual conference of Local Government [illegible] in Christchurch with Australian Federal [illegible] ministers attending.

Arthur Yates and Co's annual general meeting.

WEDNESDAY: The [illegible] Party selects its candidate [illegible] Napier, the first of the [illegible] party selections this [illegible]

Talk at Victoria University of Wellington [illegible] "Industrial Relations [illegible] Appropriate Technology Development" presented by visiting Professor M. Weisz, formerly [illegible] Professor of Economics [illegible] University of Wisconsin.

The Golden Bay Cement Group's annual general meeting.

THURSDAY: Trade and Industry Minister Lance Adams-Schneider addresses trade luncheon organised by PDL Holding Limited, Wellington.

FRIDAY: Printers' conference in Nelson.

SUNDAY: William Whitelaw, British Secretary of State for the Home Office and Deputy Leader of the Conservative Party, arrives for a three-day official visit.

Restructuring by import policy

FLEXIBILITY is the keystone of the Government's 1980-81 importing policy.

Trade and Industry Minister Lance Adams-Schneider told the Bureau of Importers and Exporters last week the Government had not set out "on a pathway aimed at the abolition of import licensing," but "there will continue to be exposure to fair and reasonable international competition" – particularly in the Pacific region.

The new import licensing schedule furthers recent policy moves aimed at "restructuring" the economy.

Domestic manufacturing industries would continue to receive "reasonable and justifiable protection", Adams-Schneider said, but where that protection involved import licensing, it would not extend to "blanket coverage".

That attitude is consistent with recent Government decisions on the textile industry development plan. Industries which are internationally competitive will be encouraged and those "less favourably placed" discouraged.

For both consumer and non-[illegible] goods – the schedule provides a basic allocation of 125 per cent of 19[illegible] licences, to take into account higher than anticipated import price rises.

In previous years, the [illegible] location has been reduced in real terms.

Other policies include an increase in the minimum basic licence allocation from $500 to $750; further exemptions from import licensing control (amounting to more than $[illegible] million worth of imports) including substantial items of capital equipment where there is no domestic manufacture; an extension of the review of item codes.

The review has effectively been dropped back. The Minister is unconvinced of its usefulness in terms of real benefit to the community [illegible] staffing.

Liquid fuel policy difficulties in Petrocorp wake

WHILE the champagne corks were hitting the ceiling at Petrocorp House last week, most of the country's energy journalists were stuck in a Kapuni paddock in driving rain evaluating LPG safety measures.

Yet the news that Petrocorp won the 1200 tonne/day scheme caused only mild interest. Some confided they had pre-written stories to fit a decision either way.

Others were preoccupied with the implications of it all.

The rain hung over the proposed Omata site for the 2000 tonne/day BP scheme all day.

BP cancelled, at short notice, a meeting with one of the New Plymouth local authorities and the city fathers lashed out at Petrocorp's public relations style, in defence of their own ignorance of the $130 million scheme for Tikorangi near Waitara.

In the halls of Parliament, no one was talking about what went on in the Cabinet that day. Journalists mused over Prime Minister Rob Muldoon's statement that the decision was made on the basis of combined responsibility.

Radio New Zealand's Richard Griffin said it had been a victory for the "old guard" which had rallied to the Prime Minister's side. Others confessed they just did not know.

Such was the political nature of the three-month methanol debate – the first steps by the Government of an emerging petrochemicals nation – to forge the political will and momentum to proceed.

Elsewhere in the world these decisions were made decades ago. The relationship between the State and private sector operators are well established, and the terms applying to the technologies involved are household words.

There is no doubt similar birth pains have been felt near every oil and gas field that has been developed.

What is important about last week's announcement is not how it was made, but the fact that it *was* made.

It is the last significant element of the package of gas-based initiatives (ammonia/urea; synthetic petrol; compressed natural gas; liquefied petroleum gas; methanol; increased oil condensate recovery and so on) that have got past the "talking stage".

Rob Muldoon . . . combined responsibility for decision.

Bill Birch . . . large slice of the credit.

A large slice of the credit must go to Energy Minister, Bill Birch, who is on the way to effecting his Maui liquid fuels policy.

But he is confronted with a horizon of unknowns – especially considering what the actual results may be when the infant Mobil synthetic petrol plant is scaled up to 530,000 tonnes, or when Petrocorp/Alberta Gas tries out the National Development Act to complete the "stand alone" methanol plant inside 30 months.

Other questions that will have to be resolved centre on whether the Tikorangi site will become a vast petrochemical estate incorporating "stand alone" methanol; synthetic petrol; ammonia urea" and other "down stream activities".

Who will get to hold the purse strings for the extra LPG generated from the developments?

Which New Zealand companies will move to make petrodollars from it all?

Will methanol as a petrol extender M15 ever see the light of day?

These and other matters are at the core of the move to push ahead with the Government's Maui fuels policy.

Cabinet holds drink key

by Belinda Gillespie

TWO big beverage industries last week were waiting for Cabinet to uncork decisions which will determine their futures.

A Government caucus committee on town milk supplies has been looking at five aspects of the industry:-

The need for daily home delivery service; the future of ultra-high-temperature milk (UHT milk) and recombined milk, and the distribution of these products; the use of cartons for specialised milk products and white milk; the promotion of milk and milk products; the roles of the commercial sector and the town milk industry in the processing and distribution of milk products.)

According to Ministry of Agriculture and Fisheries officials, the report went to the Caucus Agricultural Committee on April 2. Official reaction is expected next week.

Delays have resulted from the large number of submissions to consider, and difficulties in arranging a meeting of the committee earlier this year, officials say.

Industry sources say the hold-ups have stemmed from difficulties in reaching a decision about two politically sensitive issues – the making and marketing of flavoured milk and restructuring of the Milk Board.

Negotiations between the Dairy Board and town milk producers over the possible extension of UHT milk marketing could be a first step towards rationalisation.

The wine industry is waiting for new food and drug regulations.

Draft regulations – now in their final form – will not go before Cabinet before April 14.

In February, Health Minister George Gair had hoped the new regulations would be approved by March.

Southern manufacturers gain Australian foothold

Christchurch Correspondent

FOOTHOLDS in Australian manufacturing have been sewn up by two major Christchurch companies in recent days in separate deals that should help boost earnings in future years.

Two weeks ago the flourishing Ashley Forest-based resource industry, Canterbury Timber Products, announced a leap across the Tasman into a joint venture with ACI subsidiary AV Wehl to build a $25 million duplicate of its highly successful medium-density fibreboard mill.

And last week the Christchurch-based electrical manufacturer, PDL Industries Ltd, strengthened its foreign links by touring New Zealand heralding a successful deal with Gerard Industries Pty Ltd of Australia.

Headed by Sir Roberston Stewart — who earned his knighthood by taking his group into exports with one of the most aggressive thrusts in current commercial circles — PDL is switching into a "new look" which will rationalise equipment between Australia and New Zealand (and increase PDL exports to Australia).

PDL's negotiations with Gerard, manufacturers of the Clipsal range of electrical accessories, means a range of weatherproof electrical fittings will be made here for both national markets.

PDL will also be assembling and marketing domestically a range of polycarbonate high-impact plastic switches and switch sockets, currently marketed in Australia by Clipsal.

Tripping round the country with Sir Robertson are Gerard Industries managing director Robert Gerard, and Gerard sales director John Harris.

The introductory functions are taking in the Commercial Travellers' Club in Auckland, moving onto lunch with Lance Adams-Schneider at Wellington's Town Hall before the *piece de resistance* at Christchurch's stately Mona Vale.

The reason for the deal with the Australians has more to do with the fact that a deteriorating New Zealand building industry did not warrant tooling new products specifically for the local market than with the moves between the two countries for an economic association.

An approach was first made in November 1979 to Gerard of South Australia. The New Zealand Government grabbed substantial licence to import CKD kitsets from Gerard and that was justified on the basis PDL would undertake a joint manufacturing programme which would show a net export result back to Gerard in PDL's favour.

The programme has started, and PDL sees it as the forerunner of association between the two countries manufacturers, outside the Nafta agreement.

Gerard has an immediate distribution system here through PDL and any PDL products released through Gerard Industries are integrated into its Australian network.

PDL already exports 20 per cent of its output with total development of new products recently being with its Asian company, PDL (Asia) Sendirian Berhad in Kuala Lumpur, west Malaysia.

That plant employs 100 people, assembling electrical accessories from CKD kitsets supplied from Christchurch.

The link says something for PDL's products . . . as is the case with CTP which beat off some heavy opposition to secure the Tumut forest resource in New South Wales before hearings by the NSW Forestry Commission.

There was some ground work to be done to secure a foothold in Australia against the competition, but now that CTP is there, it expects to strongly benefit.

It is linking with a first class manufacturer of panel products in Wehl in building the first medium density fibreboard plant in Australia. Vehicle for the deal, Laminex Customwood Pty Ltd, will require the New Zealand firm to come up with 25 per cent of the $10 million equity but for that very acceptable outlay which itself causes minimal strain, CTP will share in a mill with capacity 50 per cent higher than the flat-out Ashley Forest plant in Canterbury.

The home mill will have to cope with its total capacity output position for at least two years and that means further immediate growth in exports to Australia of its "Customwood" and "Customfloor". CTP currently export 35 per cent of output and must soon expand at Ashley Forest.

It enjoys opening markets in the Pacific region so by the time the NSW plant is on stream in late 1982 it should be easily able to cope with the cessation at that time of its own exports to Australia. That market would then be serviced by the Laminex Customwood plant.

For its 25 per cent stake CTP has passed on any marketing risks (and they should be minimal) to Wehl as it is a shareholder only in the venture.

In 1982 the fast-running CTP plant in Canterbury should thus be able to meet those export contracts it might otherwise have to turn away, while still having a slice of the action in Australia.

Share price rise dulls merger appetite

ALLIANCE Textile Ltd took to the sidelines in its talks with ailing Mosgiel Ltd when the Mosgiel share price started looking excessively high for merger to be seriously contemplated.

Share sales were reflecting hopes that Alliance would still merge with its Dunedin rival in the over-sold woollen textiles industry, despite Mosgiel's $2 million plunge to a $1 million net loss in the December half-year.

Development Finance Corporation executives, originally believed to have been acting as marriage brokers in a "shotgun wedding" of the two companies they had heavily financed over the past year, have turned out to be less influential than financial circles thought and were in fact invited into the "romance" to become privy to plans for an industry restructuring scheme.

The DFC said it could not, and would not, impose plans but would look to support proposals emerging from industry talks.

The number of companies potentially involved in such a programme is said to have proved to be excessive for the DFC's resources and it chose to focus on a merger agreement between Mosgiel and Alliance.

That was approved by both chairmen of the companies concerned because they had initiated the DFC's entry into the prognostications.

But Alliance gave the DFC notification that the rules had altered when Mosgiel splashed into the red.

The DFC ceased work on the plan as Alliance took to the sidelines, arguing that there was no way it would bail out Mosgiel at its current share prices.

That attitude hardly pleased Mosgiel, which has been arguing that early 1980 figures show a significant upturn.

Other figures which come into consideration are under tight security. They would show the current extent of the Bank of New Zealand's lending to Mosgiel.

While the DFC floating currency DFC-Wells Fargo debt is known to be more like $1.6 million than the $1.9 million it stood at in June 1979, it is uncertain if the BNZ debts remain at round $2.2 million as they were in mid-1979.

These figures will remain under a rug until the next annual report.

Mosgiel has made it plain that it does not think these figures are relevant to any current hopes for restructuring . . . or to continued independent recovery.

With *impasse* reached, the Industries Development Commission's hopes of swift rationalisation in an industry beset by a soft domestic market, high interest rates, soaring wool prices and adverse fashion trends, seem deferred. But things are uncomfortable in the not-so-cosy world of woollen products.

Comment

Editorial

SIX public inquiries are either being undertaken, or about to be undertaken, into aspects of Government administration.

Four of these (into airport safety, rail freight forwarding, the DC10 crash and the latest fatal collision at the Wellington railway station) relate to portfolios held by one Minister — Colin McLachlan (alias Colin Campbell). These facts alone bring into question the quality of the Minister's administration.

But more recently attention has focussed on the Minister's health. He has spent several weeks in hospital in the last year and been absent from Wellington at crucial times for his departments — so compounding the doubts felt outside the Government about his ability to responsibly and effectively administer the mammoth Ministry of Transport and Railways

But the Prime Minister is stoically fending off demands for McLachlan's replacement, and no matter what outsiders might think of the Minister's performance his resignation is unlikely so long as he has Rob Muldoon's support (or he personally decides it is time to opt out).

There had been back-bench pressure late last year for Cabinet changes, but Muldoon made clear then he would be sticking with the team he put together after the last election. There seems to be no back-bench pressure now for a full Cabinet overhaul. And Muldoon is much more likely to react to back-bench demands than those from Opposition politicans or from editorial writers or other outsiders. Resignations or a major reshuffling of portfolios is therefore unlikely immediately — at least, not before the end of the year — no matter how desirable change might be to a public which pays Ministers' salaries and is entitled to a standard of performance commensurate with the importance of the responsibilities.

It makes sense politically to stall on the question of who should be holding which Ministerial posts and who should not in the run-up to the next election, when the Government's over-all efforts will be more critically appraised by the electorate than now. Any sacking under pressure now would be a concession that the critics are right — something any politically sensitive Prime Minister is bound to resist. More pragmatically, delaying a Cabinet reshuffling till the end of the year would make more opportune the promotion of back-benchers who joined the Parliamentary team at the 1978 election. Until some of these have been through a second Parliamentary session, to reinforce any claims to promotion they might have made in their brief political careers, Muldoon must feel obliged to leave them out of considerations. That would restrict him to the 1975 influx who — apart from those like Barry Brill and Tony Friedlander — are not such a glossy bunch as the MPs who joined the team three years later.

These include Ian McLean (the intellectual strength behind the more-market faction). Don McKinnon (the most steady and rigidly principled of the more-market, private-enterprise group who is said to have voted in caucus against the Kinleith settlement), and Geoff Thompson (recognised within the party for skillfully combining flexibility with adherence to party philosophy).

But while he might recognise that promotion of the '78 first-timers is premature now, when weighed against the claims of those with more Parliamentary experience, Muldoon is not doubt aware, too, that he is being surrounded by a new breed of back-benchers.

If he pushes aside the Old Guard, he will increasingly find himself at the mercy of the vigour and thrust of a younger generation of National back-bencher.

Perhaps that is among the reasons why Allan Highet has reconsidered his decision to retire at the end of next year.

He is said to have been encouraged by Muldoon to make that decision — and by the improvement in his personal relationships with the Prime Minister in recent times.

Whether Highet will win the nomination that enables him to stand for the blue-ribbon seat of Remuera again is another matter, of course, and his candidature may not be as cut and dried as it appears. He had to survive a previous electorate challenge for 1975, and kept his Cabinet post in a 1978 reshuffle because of party organisation influence. (Muldoon then sounded out a senior National official to ascertain what the party would think of his dropping Highet; dropping McLachlan was suggested instead; and in the upshot, it was Eric Holland who made way for a transfusion of new blood).

Simultaneous with calls for a Cabinet reshuffle, National Party president George Chapman invited MPs to declare their intentions for 1981. (Allan Highet and Bill Young have done so by indicating their readiness to stand again; McLachlan has announced his intention to retire at the end of his present term).

David Thomson, Lance Adams-Schneider and Brian Talboys are among the Old Guard whose intentions remain uncertain.

Perhaps more significant, there is a strong feeling among younger MPs and party members that National must project an image of youth and vigour at the next election. All these factors will be manifest in whatever Cabinet reshuffling decisions ultimately are made. But a characteristic of the Prime Minister which became abundantly clear as his colleague came under fire last week must also be taken into account. He is a man of intense loyalty to his friends and his continuing defence of Colin McLachlan is sincere and genuine.

In a Morning Report interview last week, he was incapable of formulating an answer to the one and only question asked — whether McLachlan's frequent absences didn't justify consideration of his replacement as Minister of Transport. After a silence that was revealing for what wasn't said, Muldoon made clear to the interviewer he wouldn't be questioned about individual Ministers. The extent of the Prime Minister's regard for McLachlan was further exposed by his open letter to the editor of *The Dominion* a letter characterised by personally-directed counter-punches in response to a not unreasoned, offensive or inconsiderate call for a reappraisal of McLachlan's capacity to administer an important batch of transport portfolios. Perhaps it's heartening to know that there's heart beneath the crusty Muldoonian exterior.

His concern to protect a beleaguered Minister is incompatible, of course, with his respect for high-quality work from friend or foe. He cannot abide shoddy work, poor research or the advancement of weak arguments. This respect for professionalism does not gell with his cosseting of a Minister who clearly has not been able to effectively run his department from a hospital bed. Thus loyalty has been the winner over regard for ability. But Muldoon is not alone. Britain's Harold Wilson was intensely loyal to people who — from the viewpoint of their ability to perform their public duties didn't deserve it.

Colin McLachlan is a genial and gentle person — somebody who shows malice or ill will to no-one. It is unfortunate he has been put in a position where he has been subjected to pressures and demands that appear to be too great for him. If Muldoon must keep McLachlan in the Transport post, then he owes it to his friend and the public which suffers from any weaknesses in the Government's administrative to provide some help.

Brill has effectively done his job as secretary to the Minister of Energy in implementing the Government's immediate liquid fuels plans. So if McLachlan must stay, at least let him be given an able helping hand such as that which somebody like Brill could provide.

Bob Edlin

Without word of a lie

Ivory tower dereistics defeat the *hoi polloi*

FROM the ivory towers of academe, we mere mortals of the fourth estate were pleased to receive great words of wisdom entitled *Interfacing industry-level and economy wide models for planning: An example from Forestry*, by Ken Lowen and Bryan Philpott.

Having stumbled over the title, we ventured into the introduction only to fall upon the following:

"Consequently, ideas on the type of technological back-up required to explore options holistically have been obscured by fragmentary analysis and dereistic debate seeping up from that miasmal ideological swamp of over simplification, market forces v government regulations".

As fellow wordsmiths, we can admire the flowing prose. But what does it mean?

"Holistically" was not difficult — the whole being greater than the sum of its parts. Nor was "miasmal" — an unwholesome or foreboding atmosphere.

But "dereistic" had us thumbing dictionaries big and small.

The office dictionary had no entry remotely like it. Nor did the *Shorter Oxford* or its complete parent, the *Oxford English Dictionary*.

Eventually the *Websters Third New International Dictionary*, unabridged, provided the answer. "Dereistic" derives from "dereism," which is thinking directed away from reality and not following the ordinary rules of logic.

So holistically and undereistically, that miasmal paragraph by Lowen and Philpot perhaps can be interpreted for us minor mortals as follows: "Arguments for less Government regulation and interference in the marketplace are over simplified and isolated from reality and have yet to be shown to valid by analysis."

But maybe it was written to be admired by fellow inhabitants of the ivory tower rather than to be comprehended by the *hoi polloi* beyond the university gate.

The punch that Muldoon pulled

DOMINION editor Ted Frost can count himself lucky the Prime Minister was in a comparatively genial mood when he dashed off that open letter last week (which not only swiped at the incumbent editor, but had a sting in it for an innocent predecessor as well).

The open letter was concerned only with the health problems generated for Ministers and editors by the pressures of their work. It didn't resurrect Muldoon's bitterness towards the paper's campaigning on the methanol decision, which raised a number of questions about Petrocorp's proposals and must have given hope to private-enterprise buffs and supporters of the BP scheme.

Muldoon might have observed on the timing of *The Dominion's* owners, INL, in announcing the other day the appointment to its board of one John Fair — a BP director among other things which can only be regarded as unfortunately coincidental — and embarrassing to reporters whose crusading for facts might now appear to have been something else.

The meat in the PR sandwich

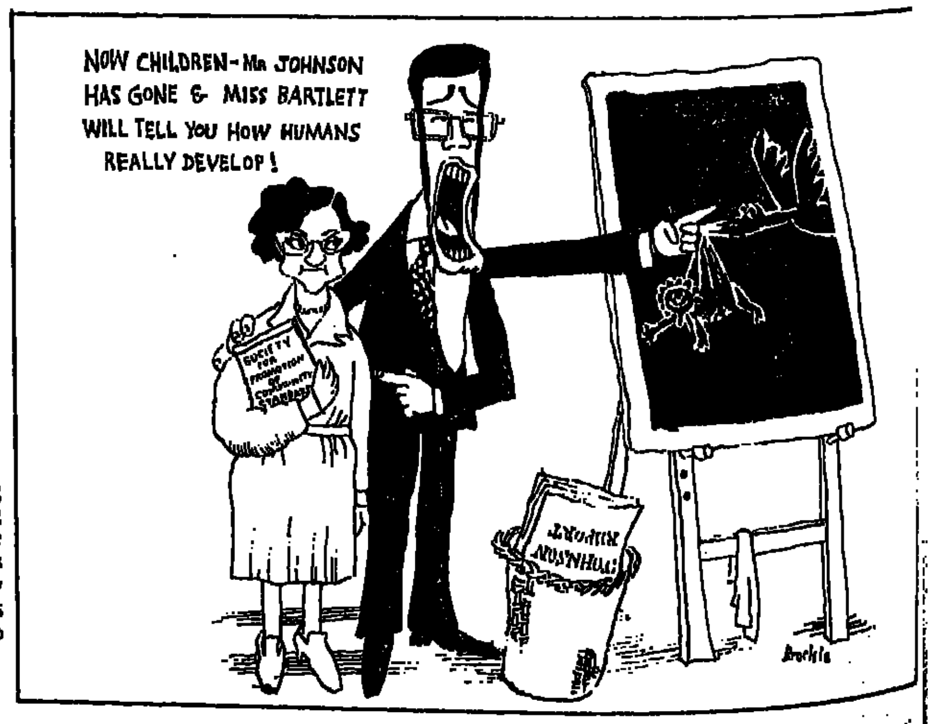
WHEN Eric White's New Zealand manager Robin Clulee quit the company to set up his own public relations firm, Consultus, there was widespread speculation in media circles in Wellington about which accounts would go with him.

The fact that he took with him into Consultus another Eric White consultant, Tony Farrington, gave rise to the suggestion he was hoping to hook the meat multinational, Borthwicks (which Farrington looked after for Eric Whites).

Because it is a lucrative account, Eric Whites was just as anxious to ensure it didn't go to Consultus, of course.

During the subsequent tug-of-war, a third PR agency snipped the rope and marched off with the prize: the one-man band of John Thorp, who is now planning to double the size of his agency by taking on an extra hand to cope with his burgeoning business.

Brockie's view



Junta solves Chilean publicity problem

LETTING the world know what is happening in Chile is not easy — as the Chilean Ministry of Foreign Affairs is discovering.

Volume one number one of a glossy monthly called *Chile Now*, editorialises on knowledge being the only way that understanding can be reached and international harmony achieved.

And the first issue covers the Government's social objectives, Chile's developing markets (New Zealand is lumped in with "Oceania and others), tourism, sports, poets and profiles.

The second issue, as the editorial points out, was not so easy to compile.

". . . the realities of Chile, some of them transitory, are varied and permanent, others dissimilar. The task was difficult but interesting for it brought out once again the dynamics of a society in constant evolution that is indefatigably seeking formulae to achieve further progress and well being."

The editor solved his immediate problem by setting out the military junta's revised labour plan, the growth of foreign investment and "The beauties of the central coast".

NATIONAL BUSINESS REVIEW
Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor.
News & Features:
Colin James, John Draper, Rae Mazengarb, Belinda Gillespie, Stephen Bell, Jack Hodder.
Contributing:
Finance: Peter V. O'Brien
Auckland Bureau:
Warren Berryman
Advertising Sales:
Manager: Paul A.C.S. Loh
Promotions:
Manager: Kathi Scott
Circulation:
Manager: Jan Chee
Auckland Office:
2nd Floor, Leviens Building
Cnr Airedale & St. Paul Streets, Auckland
Tel: 799-304
Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington N.Z.
P.O. Box 9344
Tel: 736-876
Cables: Natbus
National Business Review incorporates *Adnark* and is a registered publication weekly (except for last week December and first two weeks January).
Typeset and composed by Compulype Services Ltd, Wellington. Printed by R. Lucas & Son Ltd, 118 Kapiti Road, Paraparaumu.
Single copies: 75 cents
Subscription rate: NZ$25.00
Member ABC (Audit Bureau of Circulations)

Comment

Energy: Govt galvanised into political strategy

by Ray Lilley

ANY prudent politician begins firing shots for the next election the day after the last. A trite but true comment from a practitioner of the long fareway election shot, Rob Muldoon.

Some of those shots are no more than costly "gin-shots" back in the political clubhouse later. Others eat up the metered fareway. And it seems the measured hindsight of post-election 1981 will put energy into the golfer's equivalent of *Wisden's* guide to improbable, laughable and wholly admirable cricketing feats.

Not, one should hasten to add on present form, for the Opposition duo of Labour and Social Credit; at least not in the wholly admirable category.

Government, on the other hand, is adroitly moving towards what can only be called a political shut-out on the energy front.

While some bemoan the "energy news" which swamps their daily media intake, others read the meaning behind the actions with considerable clarity. Since the shock of the Iranian revolution and oil crisis they have all pointed to an "in-place" energy programme of considerable breadth.

A programme born of necessity, by next year it will be one of great complexity and a lynchpin policy for National's attack on political loyalty.

It is a deliberate thrust any alternative Government ignores at its peril. Yet while National puts floor beams above the basic foundation work now done, Labour has been reduced to muted agreement and minor quibbling, as has Social Credit.

Government intentions were obvious well before the 1978 election; since then the outline has been sharply sketched as key decisions have been made and acted on.

The past week saw two major outcomes of Government's energy strategy/election shot-firing (since the two are rapidly becoming indistinguishable).

The first was the drawn-out wrangle over the methanol stand-alone plant. Energy Minister Bill Birch used the opportunity to point out the rapidity with which that decision had been made, coming as it did only five-odd months after the Liquid Fuels Trust Board report and the Government's "strategic decisions" on methanol and synthetic petrol.

Ignored and forgotten was a Labour "in principle" decision of late 1975 to proceed with a methanol plant. Ignored and forgotten were the years of delay since; or that the Petrocorp/Alberta Gas scheme will not be on stream next year when the biggest shortfall in world chemical methanol supply is forecast to occur.

We won't produce methanol until 1983, said Birch. Generally ignored and overlooked was an Opposition statement "pleased" that Petrocorp, representing the New Zealand public, would take up the majority shareholding in the venture.

Labour number three Bob Tizard has the ability, experience and knowledge to drive home the political questions the energy field requires.

Fraser Colman did more for Labour on the energy front than his successor has indicated he will do.

Labour doesn't need the fringe benefits of carless days campaigners Maxwell and Rogers to add to its mis-hit list on energy.

The political shut-out on the energy scene reached its latest goal only a day after the methanol move. Even Mobil's Phil Marriott, signing the synthetic petrol plant Memorandum of Understanding, admitted that "reaching this point in this very quick time (a few months) has really staggered Mobil . . ."

Birch put it in context: three months from the point of deciding to press ahead, and 15 weekly reports later, each partner was committing $2.5 million to the design and development programme.

Barry Brill, back only hours from a world energy conference, told of delegates whose governments had made liquid fuel decisions "in principle" six years ago — and still had nothing to show for moves to greater self-sufficiency.

The political facts of the matter are plain: a Government political timetable is dictating the speed of decision and action. After a "we promise nothing" campaign of 1978 brought its own backlash at the polls, and after even party president George Chapman was moved to attack the "status quo" years, National is galvanised into a vital strategy.

It is committing Maui resources, selling surplus electric power, pushing investment, development and progress.

The urge to have (literally) concrete results and steel fabrication under way for ammonia urea, methanol, smelter development is the spur to its urgency.

That hasty decisions could have dire consequences was admitted by all after the delays in the methanol project brought much new evidence and many new, previously unknown, facts to light.

That the Opposition played no part in that debate was clear: it needed facts to play a hand and didn't have them.

That reality should confront the Labour "Shadow" ministry when next it meets. Because it could become increasingly the reality.

Labour can talk of bushfires of diversion being lit by a political pyromaniac disguised as the Prime Minister. But while their attention wavers, the real political bonfire is being built right out in the front yard.

The art of the political shut-out has been one practised long and well by Rob Muldoon. His tactical style can be dissected and defined, and its impact is always carefully orchestrated.

On the energy front the same analysis can be applied, and the same conclusion reached.

National is shutting out its opponents with admirable fareway driving. Only the sandtraps and muffed green play could possibly foul up this build-up.

Labour will have to hope for that to happen, unless Rob has a counter play.

Ray Lilley is bureau editor for private radio in the Parliamentary Press Gallery.

Export efforts require wage policy adjustments

by Bill Poole

MANY months ago, before there was any idea that I would take a position with the Employers' Federation, I was invited with Dr R S Deane from the Reserve Bank, to tutor a continuing education course of the New Zealand Society of Accountants on "Understanding New Zealand's economic policy". I found myself discussing incomes policy, among other topics.

Wages policy may be one part of a more general incomes policy — as is the case at present.

One feature of current incomes policy is the exchange rate policy, which allows the New Zealand dollar to drift downward, as New Zealand's inflation exceeds that of our trading partners, to stabilise export incomes by maintaining the real value of sales abroad.

But as import prices influence general prices, the crawling peg exchange rate will affect wage demands. To the extent that the latter are achieved, internal inflation will be promoted in second-round effects, so that the whole system may be potentially explosive. To contain this, it is obvious that a clear wages policy is essential.

But, when preparing the paper to the Society of Accountants, I was impressed that in the 1970s there were only three sorts of overt wages policies.

Simple: This could be termed "holding the lid down" by direct regulation of the lid, in various forms from an outright freeze, to looser controls or guidelines. Regulation of the lid, whatever beneficial effects it may have on the rate of inflation, does not of itself do much to reduce the pressure in the pot. Such policies have therefore become highly unpopular among employers and employees alike.

Subtle: Various moves, for example price controls (which can be seen as part of a more general incomes policy) or the short-lived payroll tax, were designed to "stiffen the resistance of employers" without improving their bargaining power but by exaggerating the costs or other disadvantages of giving in to wage demands. Again the policies did nothing to relieve the pressure in the pot, except insofar as they were overall, a disincentive to the employment of labour, and implicitly advised employers to use labour-saving means of production.

"Stiffening the employers' resistance" stands in contrast to the State's refraining from bargaining with its own employees, to achieve in the Government sector, the policy objectives it intends for the economy as a whole. State sector pay has become a major problem for the private sector, and a major obstacle to the achievement of a wages policy with an anti-inflationary content.

Trade-off: The only clear effort to deal with the pressure in the pot directly was in 1978 when the Government attempted a direct trade-off of a reduction in personal income tax for a reduced, or perhaps foregone, General Wage Order. In view of the fact that a tax cut is worth more in purchasing power than a wage increase, including a wage increase rather larger than the tax cut, this had some welcome elements of commonsense. But it was rebuffed.

Late in 1979 and continuing into 1980, a fragmentary policy of the simple, or "hold the lid down" type was adopted for use only in high-pressure areas where industrial disruption has been too freely used, in the Government's eyes. Ceilings have been applied only in those particular cases.

It seems fair to guess that in the past 10 years New Zealand has exhausted most of the self-defeating options on the wages front and will have to get down to cases, including, a serious attempt to diagnose the fundamental causes of problems, and to deal with the causes rather than their effects.

Fortunately, the Socialist Unity Party has acknowledged that part of the implementation of its political programme has been to cause industrial strife. This may be interpreted as the use of industrial power for non-industrial purposes and can be dealt with as a political problem — and it should therefore not involve wages policy as such.

The kind of policy that is totally undesirable is that recently mentioned by the *Economist* on Britain, and saying in effect, that if the militants did not moderate their claims and activities, it would be necessary to introduce monetary and fiscal policies so as to reduce total demand.

That makes everyone suffer because of problems created by a few, and makes economic stagnation the alternative to an inadequate wages policy. Recent experience has shown that New Zealanders do not accept stagnation as a realistic option.

If the wages policies of the 1970s can be said to have failed to yield industrial peace and low inflation, it must be said, too, that the fault hardly lies alone with wages policy — much else has happened.

For the future, the Employers' Federation a year ago reported upon the necessity of creating a better balance in bargaining.

As yet there has been no response to that report.

Parts of the problem of establishing a workable wages policy, especially toward the rate of inflation, reside with the Government's own activities.

Fiscal expansionism in 1975-76, repeated in 1978-79 (when the attempt to trade-off tax reductions against the General Wage Claim was rebuffed), have created heavy demands by the Government for net increases in revenue, and the burden of the state has been heavy. The place and the pace of tax reductions, and so on, to increase personal purchasing power will have to be established.

State sector pay leadership emerged as a problem at Waiouru and must be expected to do so elsewhere.

What is to be the place of those with skill and responsibility in relation to the lower-paid, in the distribution of income? Will it allow us to achieve national goals? What is to be done in wage rates, and what in redistribution?

Despite oft-repeated pleas that wage increases should be related to rising productivity, there is little evidence of any immediate likelihood that this objective can be achieved.

The adjustable exchange rate is similar evidence of the diminished hope of achieving voluntarily a wages policy compatible with export-competitiveness — thus a much more risky course, in terms of inflation, has been adopted.

Wages policy in the end must be adjusted to long-term economic success.

The experience of the 1970s suggests that society no longer regards the employment of labour by employers as a worthwhile activity, the burdens on employers in terms of both wage costs and regulation have been allowed to increase recklessly. This trend still persists, and must be regarded as a major disincentive to the employment of labour, despite public worries about unemployment and the evident need for job creation programmes.

It will be interesting to see if the wages policies of 1980s feature the removal of disincentives.

Bill Poole is research officer for the Employer's Federation. This commentary is not and does not purport to be an official federation statement.

Letters

Up date on steady growth

IN your February 18 issue O'Brien tells us that one of his correspondents did not enjoy the 1973 meeting of Leyland Investment Ltd. The *National Business Review* is usually more up-to-date with the news.

For the last three years we have invited all share-holders to stay after the AGM for lunch. I would hope that even the least confident shareholder would be able to ask questions or put a point of view over a cup of tea and a sandwich.

O'Brien refers to our earning rate. But in making comparisons with other companies it is important to remember that Leyland is an investment company and its dividends are therefore covered by the earning rates of the companies in which it invests.

O'Brien claims that the company has had a dull record for years.

An interesting article in *The Economist* on February 2, pointed out the lack of correlation between activity in an investment portfolio and performance in a survey on portfolios in England.

I am quite prepared to admit that we have not given our shareholders an exciting ride but we have made some steady progress.

Our dividend growth of 60 per cent over the past five years compares with an average for the market of 54 per cent. (Investment Research Unit statistics).

These dividends are now being paid in a non-taxable form and I expect that we will be able to maintain this benefit for many years to come.

W J Strevens
Chairman
Leyland Investments Limited

DFC merger role clarified

I AM most concerned at an article (*NBR* March 24) which incorrectly describes DFC's role in a possible merger of Mosgiel Ltd and Alliance Textiles Ltd.

The Development Finance Corporation did not initiate discussions about the possibility of a merger.

DFC does not become involved in matter relating to the mutual interests of two or more public companies unless formally invited to do so by the parties concerned.

The textile industry has been conducting its own discussions on rationalisation in the context of the Industries Development Commission report.

DFC was recently invited into these discussions for the first time, following a joint approach from Mosgiel and Alliance. We could not, and would not, impose plans on the industry, but would look to support proposals emerging from the industry's own discussions.

DFC's role, if there is to be one, in supporting a rationalisation of this industry has yet to be agreed with the companies concerned. The corporation is in favour of an orderly restructuring of the industry to meet the objectives of the IDC.

Your article implied that DFC had some preferential position in respect to Mosgiel and Alliance. This is not so.

The corporation's loans to these two companies are secured by debenture stock issued under trust deeds. They give DFC no special rights or privileges which are not available to other debenture holders. The management of the securities is the responsibility of the trustees, and they act in the interests of all debenture holders.

It is regrettable that your story should have been inaccurate on such key points. Perhaps a phone call to this office when the article was being prepared might have saved this trouble.

John M Hunn
General Manager
Development Finance Corporation of New Zealand

O'Connor owns up

AS a regular subscriber could I ask you to give a few details concerning your random contributors? You gave Rod Alley's details on February 11 but nothing was given about Ben O'Connor who wrote about Mr Muldoon. Who or what is he?

Anyway, does Mr Muldoon need defending? Surely he is top of the heap. I much prefer your paper's clandestine burrowings in the heap as portrayed in "Without a Word of a Lie" to such use of your space.

Tom McRae
Wellington

BEN O'Connor is a former journalist and executive member of the NZJA, and a former research officer for the New Zealand Bankers' Association. He is now national co-ordinator of the Small Business Groups of the NZ Chambers of Commerce, and is prominent in public speaking circles.

He was writing in a private capacity in response to an invitation from *NBR* to write an article in support of Rob Muldoon's style of leadership in contrast to an article in the previous issue critical of Muldoon. He had earlier expressed his support of Muldoon.

— Editor

Aborting capitalism

I AM writing to correct a number of errors made by your correspondent Colin James in his sympathetic review (*NBR* February 25) of Erich Geiringer's latest pro-abortion book *The Lex Agusta*, and also to point out the potential a "liberal" abortion policy has to destroy our capitalist system.

Firstly, James's unsubstantiated claim of "overwhelming public preference for fairly liberal abortion" is proved false by the independant nationwide survey conducted last year by McNair Surveys NZ Ltd.

McNairs, in fact, found that 78 per cent of New Zealanders believed that doctors should maintain the utmost respect for human life from the time of conception. Furthermore, 65 per cent believed that abortions intended to avert a danger to the life or health of the mother should only be lawful if the danger cannot be averted by any other reasonable means. Interestingly only a mere 21 per cent believed it should be legally allowed as a means of solving the mother's social problems.

Secondly, James's claim that the Abortion Supervisory Committee appears to have opted for restrictive control is absurd. Even Geiringer admits that one of two main purposes of the CS & A Act is "to prevent women whose health is not threatened by their pregnancy from having abortions". This purpose was seen necessary by Parliament to control a situation which had developed subsequent to the opening of the privately controlled Remuera Abortion Clinic when the number of abortions being performed exploded to more than 5000 per annum.

The vast majority of these were performed by the Remuera Clinic. Not surprisingly the investigating Royal Commission found this to be a virtual "abortion on request" service. Current statistics reveal that today we are back to performing about 5000 abortions a year.

Clearly, far from opting for "restrictive control" the supervisory committee has to date, failed to achieve any control at all. Logically even Geiringer must agree that the present supervisory committee should either achieve the main purpose Parliament appointed it for — to prevent abortion on request — or it should recognise its failure and resign.

Regrettably it will do neither. Its clear intent is to establish a nationwide chain of free abortion clinics, separate from already existing and quite adequate facilities.

These clinics will inevitably be staffed by those committed to the abortion on request philosophy. Press reports allege that the proposed new Wellington clinic, for example, may have Dr Margaret Sparrow, ex President of ALRANZ, and Dr Carol Shand (Mrs Erich Geiringer) as operating surgeons, a quite incredible situation.

As plans are already underway to establish a fourth major abortion facility in Christchurch, it is quite possible, if the supervisory committee further succumbs to the pressure tactics of Erich Geiringer and his fellow travellers, for the annual abortion count to leap to 15,000.

This frightening trend is confirmed by overseas experience with Australia now performing one abortion for every four pregnancies, and in New York State one abortion for every two pregnancies. The effect of this latter rate on this country's already declining current birth rate of 50,000 a year would be for a further population decline of at least one million to about two million within 40 years, and a decline of approximately 1,750,000 to about 1,250,000 within 70 years.

Once we accept a policy of "liberal" abortion nothing will prevent our capitalist system from being destroyed. This is precisely the goal of some of those key figures promoting "liberal" abortion.

D A Trotman
Upper Hutt

Method or madness

COLIN James should be writing for *Punch*. His hilarious attempt to justify the latest bout of buffoonery at Kinleith (*NBR* March 19) on the grounds that it's all part of a long-term Government strategy to promote industry-based unions, makes me wonder if the *National Business Review* has switched to being a satirical [illegible] without telling anybody.

To swallow James' line, we would have to believe that the closing [illegible] the cost of millions of dollars, was part of a master plan. We would also have to believe that the Prime Minister's SUP witch-hunt and his obsession with voluntary unionism, are not attacks on organised labour, but are in reality part of a plan designed to promote the rationalisation of the union structure.

If this is so, then someone should tell Mr Muldoon to use the telephone instead and talk over with the FOL his plans [illegible] consolidate and strengthen their movement.

They would be delighted and very surprised. If [illegible] so, then the conclusion [illegible] evitable — there was [illegible] method in the Government's behaviour over Kinleith. It was all sheer madness.

John [illegible]
Wellington

Politics

A hiccup — or the start of something small?

by Colin James

OVER Easter New Zealand's fourth party, the one at the bottom of the graph, the Values Party has been holding its annual conference.

At least, it was to have been, (this column having been written before Easter. And, if the Prime Minister's Socialist Unity Party magic has been working, maybe it is no longer the fourth party.)

More about that conference next week. In the meantime it is heartening to see at work the political hope that will move people in the face of dismaying odds.

A milder version of that hope was at work in the Social Credit Political League last week, when there was talk of having 21 seats in their sights.

This is big talk, since their tally of second places in 1978 was 11.

But there is ground for the Social Creditors to be optimistic. They are a quarter of the way towards their $1 million campaign target in pledges and it is beginning to look as if their system of a network of fund-raising teams might reach the target.

They are also still doing well in the polls — or are they?

The graph from the Heylen poll, which takes us from early 1977 to March 1, this year, indicates at first glance a long-term rising trend for Social Credit, from about 12 per cent in early 1978 to about 18 per cent in early 1980.

At that rate of climb, Social Credit could hope for a little over 20 per cent in 1981, which would mean a bevy of seats (though not 21).

But there is cause for a sober view.

Over the period from early 1978 to late 1979 the rise was from about 12 per cent to around 20 per cent. (These figures should not be taken as gospel, but only as indicative of general movements. You can do the same exercise as I did by laying a ruler over the Social Credit line and evening out the overs and unders).

At that rate of climb, Social Credit could have looked forward to around 30 per cent, comparable footing with at least one of the two major parties and many seats in 1981.

But since November last year the Social Credit rating has been falling — probably by about 2 to 3 per cent overall.

The question is: is that fall a hiccup in the overall rise which can be expected to continue, like the hiccup in mid-1978; or is it the beginning of a new long-term trend?

We will not know for another six months or so. But it is interesting to note that at the same time the Social Credit line was apparently bending downwards, the National line was bending upwards.

Since November, National has put on the 2 to 3 per cent Social Credit has lost — and that after a long-term fall stretching back into late 1977.

And Labour, which has been rising since early 1978, may well be flattening out.

The important point is that if the trend lines continue in the broad direction they have followed for the past five or six months, we can expect National to pass Labour this year (it was in fact 0.1 per cent ahead in the March poll).

It is therefore time for Labour to look carefully at the basis, and weaknesses, of its support.

Take, for instance, its support by type of town as in the table at the bottom of the page ("loyal" Labour is one who voted Labour in 1978 and would do so again when the poll was taken, and "new" Labour is one who did not vote Labour in 1978 for whatever reason but would at the time of the poll).

As a whole, the sample interviewed by Heylen divided within a point or so each month of 30.5 per cent for metropolitan (Auckland), 24.5 per cent for large cities (Wellington and Christchurch), 30.5 for small cities and 14.5 per cent for towns, such as Morrinsville or Ashburton.

Thus it can be seen that Labour's "loyal" strength lies in the large and small cities and it is relatively weak in Auckland and the towns.

On the whole, allowing for the volatility in the much smaller sample sizes of "new" Labour voters, it does appear that Labour may be making up some of the deficit in Auckland. Both in December and March it was well above the average.

But so far not in the towns. And there lies the Social Credit rub for Labour.

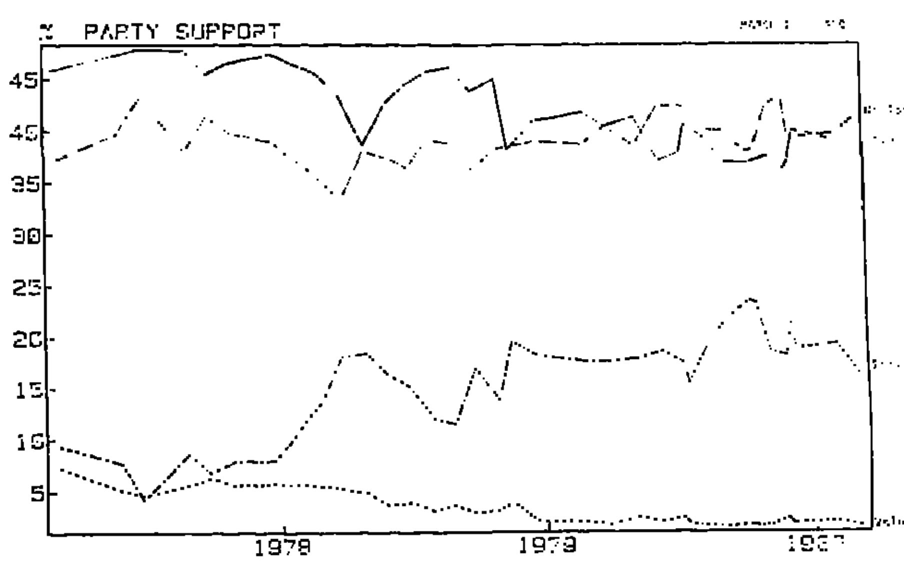
For it is in the small towns surrounded by countryside that Social Credit has been threatening since 1978 to so severely limit the Labour presence as to end its status as a truly national party.

Social Credit consistently scored above average in this category among its "loyal" supporters and among its new recruits (with the exception of the February poll).

It is thus understandable that Labour has been putting teams of MPs into the strong Social Credit areas in the northern half of the North Island. That it has yet to bear fruit is ominous for Labour, even if Social Credit support does continue to fall.

Labour still supplies more recruits for Social Credit than National — 3.0 per cent to 1.9 per cent in December, 2.0 per cent to 2.4 per cent in February and 2.3 per cent to 1.6 per cent in March. It has also been picking up fewer recruits, 1.1 per cent to 0.6 per cent, 1.1 to 2.4 and 1.6 to 2.6 respectively.

Other survey evidence indicates that Labour voters are generally less loyal than National voters, so the figures are not quite as bad as they seem. But for a party that aims to be in power through the 1980s, they should have Jim Anderton and his crew worried.



	Loyal Labour			New Labour		
	Dec 1	Feb 2	Mar 1	Dec 1	Feb 2	Mar 1
Metropolitan	26.0	28.7	27.4	36.4	22.8	48.2
Large cities	30.6	30.9	29.6	37.7	30.7	18.9
Small cities	33.1	27.1	30.2	19.6	33.1	23.8
Towns	10.3	13.3	12.8	8.3	13.4	9.1

Carter raises wage guidelines

THE Carter Administration has raised its voluntary wage guidelines so that workers can receive increases of up to 9.5 per cent and still comply with the Government's anti-inflation efforts.

Carter accepted the recommendation of the Pay Advisory Committee for a new standard encompassing a range of 7.5 to 9.5 per cent. The committee, formed last October, is composed of members from Labour, business, and public representatives.

The guideline is the limit that the administration would like to see for wage increases in 1980. Since it is voluntary, however, the Government can not force compliance.

Last year, the wage guideline was 7 per cent. Wages rose 8.2 per cent on the average.

No decision has yet been made on this year's voluntary guidelines for price increases.

Economics

Dairy Board and the butter pricing puzzle

Economics correspondent

THE Dairy Board is about to learn about competitive pricing on the local market the hard way — through experience. Although the butter price will be boosted, buyers may find that the price rises more slowly than when it was regulated by the Government.

From April 1, the Government will hand over the subsidising of local butter prices to the Dairy Board. Following its practice of gradually withdrawing direct support to farmers, the Government has decided to close the butter equalisation account.

Butter equalisation arrangements were intended to even out fluctuations in the price of butter overseas. The Government fixed the local price. When export prices rose above the local price, the difference was made up through the butter equalisation account.

Government's contribution to butter equalisation account

March Year	$ Million
1972/73	4.0
1973/74	2.1
1974/75	1.8
1975/76	5.2
1976/77	9.3
1977/78	6.4
1978/79	15.2

The butter equalisation account was supposed to be self-balancing. In some years the export price would be below local prices and the account would go into surplus. Then, when the local price fell below export prices, the surplus would be distributed to the dairy industry.

Trouble is, since 1972/73, the local butter price has always been substantially below export prices. The Government has had to top up the butter equalisation account with the public's money.

Butter pricing has been an excellent example of Government give and take policy. What the Government has given to subsidise the price of butter has been taken back in revenue. As the table shows, the taxpayer's contribution to the butter equalisation account has crept up. Last year, over $15 million went into the account compared with $4 million in 1972/73.

Instead of working as a stabilisation account, the butter equalisation account became another method of subsidising the price of a farm product. And while the Government was cutting back its expenditure on other subsidies, its debt to the equilisation account rose.

And the Government plans to spend a further $7 million in 1980/81 to help smooth the way as the Dairy Board takes over butter pricing on its own.

The Dairy Board's first act will probably be to lift the price of a 500 gram pack of butter from 65 cents to 75 cents. This will be the fifth price rise in less than five years.

Before this Government took office, the price of butter seldom changed. For most of the 1960s, 450 grams of butter cost about 20 cents. Then from 1967, 450 grams of butter cost about 30 cents, increasing to 33 cents in 1971.

Late 1975 saw the introduction of the 500 gram pack selling for 36 cents, while the old pound pack (about 450 grams) could be obtained for 33 cents. In April 1976, the cost of 500 grams of butter was increased to 44 cents, then raised again to 51 cents in March 1977, 55 cents in January 1978 and 65 cents in April 1979.

With price changes like these occurring in the last few years, while the Government was subsidising butter prices, the removal of the subsidy threatens to boost butter prices even higher.

But a close look at the economics of butter pricing suggests that the Dairy Board will find market constraints exert a downward pressure on local butter prices almost as great as that exerted by the Government.

In each year since 1976 butter sales on the local market have declined. This fall in demand can be partly explained by a changing population structure, though the population did not actually fall until 1979. What has happened is that as the price of butter has increased, consumers have bought less butter.

When the butter price was put up by 22 per cent in 1976, the volume of butter sales that year dropped by around 7 per cent. After the price of butter was increased by 8 per cent in January 1978, the volume of butter sales fell by about 4 per cent.

Butter production for the local market has fallen as the butter price rose

May years	Local butter production	Price per 500 gram pack
	tonnes	cents
1976	46.9	36
1977	45.8	44
1978	43.2	51
1979	41.4	55

Returns to dairy farmers have increased in every year since 1976, but not by as much as the price increase. If the Government had not subsidised the butter price, it is likely that consumers would have bought substantially less butter and the returns to farmers would have been even lower.

The amount of consumer resistance to price changes can be measured by what economists call the elasticity of demand — that is, the change in demand created by a change in price. Demand for some goods, like salt, does not seem to change much over a wide range of prices. Even if the price of salt were to fall, consumers are unlikely to stretch their consumption of it. Salt is considered to be an inelastic demand good.

Some goods, like records, are highly demand elastic. Small reductions in price may result in large increases in sales, and a small rise in price may create a large decline in sales volume. The demand for some products has unit elasticity — a change in price results in the same change in volume, only in the opposite direction. The amount of income earned by the producer will stay the same.

If butter were an inelastic demand good, it would have been silly for the Government to subsidise its price. The Dairy Board could simply increase the price on its own since, no matter how much the price rose, demand would stay about the same and producers' incomes would grow.

The Government has subsidised the butter price as a way of increasing consumption of the surplus butter whipped up by producers over the last few years. The subsidy was effective because the demand for butter is elastic.

If the surplus butter had been put on the local market at once, the butter price would have fallen and so would the return to farmers.

The puzzle is to find a price level which sells a large volume of butter and still is high enough, even with a subsidy. Butter consumption has fallen — the availability of substitute goods like margarine is part of the reason. But also, it looks like consumer preferences have changed.

All the subsidy has done over the past few years is support the production of a good which is no longer as popular. Instead of diversifying, or trying new marketing strategies, the Dairy Board has kept putting the same old butter in our local stores.

Now the subsidy has been removed, things will have to change. Consumers have shown that they will not buy as much butter at higher prices. The Dairy Board will either have to subsidise the local price with export returns or start pushing butter sales in other ways.

Gas powered cars founder on economics

INVERCARGILL engineer Alan Melhop shelved his prototype gas producer to power cars, because of the lack of suitable fuel.

Melhop, managing director of H E Melhop Ltd, believes the producer is not an economic proposition.

The project has been hampered by the non-availability of a continuous supply of fuel at a reasonable price. Locally-made charcoal was far too expensive, he found.

Melhop considers progress will not be made on a gas producer fuel until an international crisis, such as war, restricts the flow of petrol to New Zealand.

Refined from a World War II model developed by Melhops, the producer would have had a retail price of more than $2000.

The producer works on the principle that engine suction draws air through a carbon mass inside a producer cylinder.

The carbon is ignited with a flame and produces gases, which are mixed with oxygen when they reach the engine, and ignited in the cylinder by a spark plug.

A feature of the latest producer is water gas, created by introducing water or steam to the inlet.

The water breaks down into hydrogen and oxygen, the oxygen combining with carbon to form carbon monoxide and the hydrogen continuing through the system as a combustible gas.

Preliminary tests of a prototype producer show that it could power a car, 100km, for 70c. News of Melhop's research has brought about 200 inquiries from throughout the country.

Feltex restructuring dynamised by outspoken accountant chief

by Lani D Hunter

HAROLD M Titter — who took over as managing director of Feltex New Zealand Limited last week — says the company needs to improve its public relations image, especially with the investing public.

The company is not earning enough on the funds invested and must swing the emphasis from the manufacture of consumer durable products to more industrial products, and increase the emphasis on export.

Titter was speaking in an *exclusive interview with NBR* in his top floor offices of Feltex Centre in Auckland on the eve of his appointment.

The role of chief executive of one of New Zealand's biggest and most successful group operations has been filled by George F Pearce who has elected for personal reasons to retire after 30 years in Feltex — 13 as chief executive.

The appointment co-incides with the 50th year of Feltex in New Zealand, and the completion of a major two year programme to analyse and restructure management responsibilities and the internal workings of the group.

A youngish 49, Titter is a top ranking accountant with a dynamic approach to management. He is not afraid to say what he thinks.

- "Reidrubber has been a drain on the profit of Feltex New Zealand. Strategies currently under way have converted a loss into a profit and we are optimistic that this improvement will continue. However, if it does not it will be sold or closed down.
- "In the past decade Feltex has had an imbalance of accountants (he himself is one), compared with marketing management."

As general manager for the last four years, Titter has been a major force in preparing Feltex for the 1980s and putting into effect the restructuring programme.

The first part of the programme, two years ago, was to split the broad conglomerate operation into four main groups plus associated companies — each group having the delegated responsibility to achieve pre-set goals.

The next step was a detailed group-by-group, product-by-product analysis by task force teams to determine potential efficiency and therefore profitability. As a result many products have been dropped, the production of others expanded and the workforce reduced by 1000.

The latest step has been to set up a "consensus management" board, made up of the top executives of the groups and head office. This board, under the guidance of top management, including Titter himself will manage the diverse activities of Feltex.

Apart from the internal reorganising, steps have been taken to improve marketing in all product areas and surveys taken including visits to China, to expand into new areas.

On public relations, Titter said Feltex had not been making its people visible to the public who invest.

A survey taken by Eric White Associates last year, indicated that managers of various groups were relatively unknown, although they were running operations with up to $100 million turnover, equal in size to many public companies. The executives were known within their own industries, but not by the public.

It had been decided to appoint a senior public relations officer to achieve a better press, to get Feltex management better known at Government level and with the public at large.

However, Titter said, while Feltex needed its profile moved up a notch or two, it had no desire to be over-exposed. "After all, the greatest publicity of all is performance, and that speaks for itself. We are nowhere near satisfied with ours, but we are working hard at it."

On Reidrubber, Titter said Feltex was now making it known publicly that the tyre manufacturer, which employs 8 per cent of net funds of the group, had been making a loss, but after a year with its new programme had moved from the loss situation to a modest profit.

He declined to disclose the extent of the loss, but said little growth was seen for tyres in New Zealand and Feltex had to face that reality.

Feltex acquired Reidrubber in 1970 to fit in with its existing urethane and plastics businesses. The acquisition brought urethane and general rubber products, and tyres at a time when tyres and motor transport were a world wide growth business. General rubber and urethane businesses continue to produce better than average returns on funds.

The tyre business changed drastically after the 1973 oil price rises and there is now an "over-capacity" in tyres here.

Titter says Feltex has three possible strategies:

(1) Make an acceptable return on the funds employed in tyres;
(2) Sell the business;
(3) Close the business.

Feltex had decided to go for strategy (1), to be achieved within a set period. Recent success with "The Ava[illegible]" tyre, including a growing market in Australia was helping.

Titter said: "With the strong co-operation of BF Goodrich management, employees and unions, there is a definite chance we will make it. Under no circumstances are we prepared to have funds locked into a business that can't or won't produce a reasonable return for shareholders for an indeterminate period of time."

Titter said that it would be his objective to give more information about the performance of the individual groups in the annual report.

Criticism had been levelled (*NBR* November 12 1979) at Feltex for failing to provide separate information for the four groups — furnishings, tyres and rubber, textiles and plastics, the retail group and associated companies. Titter admitted that a change in the low key profile the company had been holding in recent years would now be appropriate.

The breakdown involves some complications which may not be overcome in time for June results this year, but would certainly be rectified by annual report time next year, he said.

Another issue that has attracted criticism is the number of accountants on the board of directors and in top jobs. It's a fact that at one point all seven members of the board were qualified accountants.

Titter agreed that the criticism in the past was justified but in fact the company had done pretty well over the years with its structure. Moves had been made in recent years to change the emphasis. Titter said that there were now two engineers and one lawyer on the board and in top management, personnel with other skills were being encouraged as the new general management board showed.

The general management board is made up of nine executives, two with strong marketing backgrounds, one with skills in economics and human relations, one rubber specialist, one lawyer, two management specialists, one trader and one finance manager.

This board came together for discussions late last year and again in February to report on a survey of their own divisions and to discuss how each manager proposed to achieve the primary objectives set down by the corporate management.

The main objective is now to achieve a 15 per cent return over tax on net funds employed.

The members were also to establish their appropriate share of the market, the size of their operations, the desirable rate of growth and desirable balance sheet ratios.

Titter said: "This will be a management by consensus, involving a variety of talents, although we will have to be very careful that we don't sacrifice aggressiveness, creativity and risk taking — qualities on which I place a high premium. Whilst I don't believe my style will become autocratic, it will be necessary on occasions to step aside from my colleagues and be a little more self-assertive."

Titter knows his people. He's had a hand in hiring most of the top people running the groups and head office functions.

The small team of service functions at corporate headquarters, headed by Titter, is to provide high level expertise to help the various groups manage themselves. Total head office service costs must not exceed 1 per cent of sales (apart from interest).

"Generally our performance is not good enough. There was an improvement last year which was welcome and placed us well up with the best in New Zealand, but it's still not good enough. We're looking for a 15 per cent return after tax on net funds. Last year it was 11.8 per cent.

"We propose to do this by reducing the break even point in our operations.

"In the last two years we have spent a great deal of time and effort across the whole company in bringing about an improvement in RONF (return on net funds) through rationalisation; that is, becoming more effective and efficient. This regretably has resulted in us coming out with 1000 less people in our organisation." (Feltex employs about 6000 people throughout New Zealand.)

"Of the 1000, two-thirds left, and were not replaced and we endeavoured to find other jobs in our own operations, or elsewhere for the rest.

"We eliminated products, departments or divisions that were not profitable and strengthened areas where profit was being made.

"Task forces of two or three people worked closely with group management and made thorough investigations of all product areas. In certain areas of the textile and plastic group, we dropped out three quarters of the product lines and concentrated on expanding the remaining quarter. This resulted in big improvement in results in the textile and plastic group last year.

"Our philosophy on unwanted products or businesses is to dispose of them by closure or sale," Titter said. "It's something that we are not good at in this country. Most companies have been very good at acquiring additions but not so good in deleting them when they prove to be a burden or no longer fit the strategic plan of the corporation.

"The reason is that this country has not been a sufficiently competitive society. From the 1950s on, companies have generally been able to sell what they produced, so they did not need to develop cleverness at marketing. It was a protected society. We developed a lot of inefficiencies, and productivity was not being measured very accurately.

"Since things have become tougher and we're having to trade internationally, we've got to be competitive. This international competition rubs off and feeds back into our own domestic market and things get tougher. You have to produce with less people, each person has to be more productive. Moreover, marketing must be aggressive and professional.

"And you have to re-evaluate your acquisitions. It's very easy to acquire, but much harder to profitably dispose of what you don't need.

"Asking a manager to get rid of half of what he's got is like asking an architect to pull down one of his new buildings, but it has to be.

"Interestingly, the environmental scene and the union scene tend to work against this principle and protects against change. In some parts of the world, it is extremely difficult to close factories that are unprofitable, people sit in and won't go."

Titter sees a great need for Feltex to move into growth areas.

"In the past six months, we have focused attention on strategic planning and a great deal of my personal effort will go into this area this year. It is clear that Feltex manufactures and sells mostly products that could be regarded as mature in the product life cycle — carpets, tyres and so on. But we also need products and businesses in which there is growth potential.

"Generally we are concentrating on indigenous resources with good profit and export potential. Our search includes new start up projects or acquisitions — on-shore and off-shore. The off-shore areas are all in the Pacific rim, especially Australia, the west coast of North America, Hong Kong and China."

Titter went to China last year and is currently negotiating with the Chinese. He could not disclose details but said it was of major importance for New Zealand and Feltex to maintain trade links with China.

Titter said one of the main objectives will be to balance the present business in consumer durables with more emphasis on non-consumer products. he said that although the domestic market was relatively weak for certain consumer-durable products, risks can be considerably reduced by directing a significant percentage of production to various export markets.

He said Feltex had developed successful working relationships with technology links such as B F Goodrich (United States), Carpets International Limited (England), Vitafoam (England and Australia) and Acmil and Kay Cee (Australia).

"Feltex will put extra effort into developing existing and new technology agreements with reputable overseas businesses. This is seen as a way of getting into businesses with distinct advantages in industrial product areas. We will see tremendous growth in technology related industrial product areas over the next decade."

ACCORDING to new managing director Feltex has the following strengths:

- Feltex has a strong position in each of its key markets — carpets, furnishing, retailing, *plastics, rubber and textiles;*
- Restructured autonomous groups with new strong management teams and clearcut objectives to move strongly into the 1980s.
- Feltex ability to apply technology, — wool to patterned woollen carpets;
- Feltex management and staff of great skill, enthusiasm, loyalty;
- Growing use by groups of strategic plans (with objectives and goals) and marketing techniques.

He identifies these weaknesses in the company

- An adequate return on net *funds employed which affects* the Feltex share price;
- Too great an emphasis of funds invested on mature consumer durable products. There is a need for a more balanced business portfolio to include a greater emphasis on growth products;
- Public relations profile too low key;
- In the past, an imbalance of accountants versus marketing *executives in top jobs.*

HAROLD M Titter was born in New Plymouth in 1930 educated at New Plymouth High, and Victoria University where he gained a Bachelor of Commerce degree.

He worked in accountancy in Wellington, London and Malaysia before taking up a partnership in Wilberfoss Harden & Co, Chartered Accountants in Wellington in 1960.

He joined Feltex (then F & T New Zealand Limited) in 1969 as the finance controller. In 1973 he completed the advanced management program at Harvard University and on his return in 1974 became assistant general manager, until 1976 when he became general manager.

He was appointed to the board last year and takes up the post of managing director from April 1, 1980.

Titter has been a lecturer and examiner in various university and professional accountancy subjects and is a Fellow of the New Zealand Society of Accountants.

He and his wife, Margaret, have four children aged from 16 to 23. He lives in Remuera and his recreations include tennis and squash.

In summary, the new managing director of Feltex said he had four main priorities:

- To see Feltex continue its upward momentum of the past year. This meant pushing to maturity the Feltex strategic plan for each group and the overall stategy for the corporation;
- To push forward with further diversification through rationalisation or "disinvestment", and to develop new products and businesses;
- To appoint, develop and retain the best possible employees;
- To improve the Feltex image by means of a comprehensive public relations programme involving improved internal staff communications, improved representation of the company to Government, industry and groups and the public and to improve and maintain relations with the financial community.

"*New Zealand is one of the* last wool carpet producing countries left in the world and should continue to remain so, despite competition from synthetics," Titter said.

He said any moves to import synthetics would jeopardise the local wool carpet industry.

Fishing curbs may leave divers high and dry

by John Draper

ROCK lobster divers fear extermination as the *Fishing Industry Licencing Authority* seeks to impose new controls to stop over-fishing.

Those who get less than 80 per cent of their income from *catching rock lobsters are unlikely* to be relicenced by the authority except on a seasonal basis.

Divers have been under pressure to get out of fishing for some time.

In 1976 the Government passed regulations prohibiting the commercial taking of crayfish by divers. An *ad hoc* divers' group appealed to the Statutes Revision Committee and succeeded in having the regulations amended because of "undue trespass on personal rights and liberties".

Attempts by the divers to form themselves into a national association to represent their interests have been thwarted by the reluctance of the Ministry of Agriculture and Fisheries to release lists of licenced divers.

Those involved with the Statutes Revision Committee fight appealed to the Chief Ombudsman for help.

His investigation has been *suspended pending a meeting* between divers and the ministry.

The problem is that rock lobsters are over-fished to get the maximum sustainable *yield from the fishery.*

In recent years the catch has fluctuated around 3500 tonnes with deviations of up to 500 tonnes, usually more than less.

Studies by scientists at the Fisheries Research Division of the Ministry of Agriculture and Fisheries show that the resource is being over-fished and at a rough estimate, 40 per cent too much effort is going into catching lobsters.

The scientists claim less *effort will mean bigger lobsters* resulting, in the long term, in bigger catches. But they emphasise that although the valuable lobster is being fished too heavily, it is not in danger of being fished out.

The management problem has been passed to the Fishing Industry Licencing Authority, a three-man tribunal advised by fisheries research officials.

Chairing the authority is Bob MacLachlan, a former director general of Lands and Survey. John Kenton, a fisherman from Otago is the Fishing Industry Board nominee and an advisor to the Maori Queen, farmer and businessmen Horace Forbes is the third member.

Last week the authority was expected to hand down its decision, licences renewed and disallowed for the Gisborne area.

The country has been divided into 10 areas for licensing purposes.

Only those who hold licences either for lobster potting or shore licences which includes diving and potting, will be considered by the authority before being reviewed.

Those who have not renewed licences in recent years are automatically excluded.

As a general rule of thumb the authority is relicensing only those fishermen who can show they get 80 per cent of their income from lobsters.

Others who fish occasionally for lobsters, or make a part of their income from them, may get seasonal licences. But to what extent the authority recognises their right to continue fishing lobsters will not be known until the Gisborne decision is announced.

Before the authority began its work there were estimated to be 2000 lobster fishermen, 1500 setting pots from boats and 500 diving and setting pots from the shore.

But the shore licence holders are estimated to be only a minor part of the industry. Figures prepared for the Statutes Revision Committee hearing in 1977 suggest shore licence holders account for less than 2 per cent of the total catch.

The authority is likely to win few friends as it progresses around the country. But fishermen and divers claim the industry should be left alone with an extension of the two-year-old moratorium on new licences.

Divers are further restricted by the imposition of a mandatory closed season, from March 1 to May 15, a period they claim is the best for their work because the lobster heads for shallower waters to moult and mate.

Labour Party turns cold on REM magazine offer

by Warren Berryman

THE Labour Party has been negotiating with REM Printing and Publishing to put out a national Labour Party magazine. But last week it decided not to proceed with the deal.

REM was to publish the 80 to 150-page magazine containing between 40 to 50 per cent advertising.

Labour Party Auckland regional secretary Mike Shone said REM would have kept the advertising revenue. The party was to get 10,000 free copies of the magazine.

The first issue of the magazine was due out in May to coincide with the party conference, Shone said.

The rates charged for advertising in the new magazine were to have been a matter for REM to decide, Shone said.

No money would have changed hands. "We would just get 10,000 copies of the magazine", he said.

Editorial material for the magazine would have been handled by the Auckland Office of the Labour Party and *would have been supplied to* REM free of charge.

The editorial content of the magazine would have consisted largely of party discussion paper material, he said.

Under the arrangement with REM, the Labour Party would have distributed the magazines at no cost to REM, he said.

Shone said the magazine's *format would have been much* the same as that of *Port News* or *Riding Tall*, two of REM's publications.

If the deal had gone ahead, the new Labour Party quarterly would have had the largest circulation of REM's magazines.

At 50 per cent advertising – even at the rates REM charges for its smaller circulation publications – ad revenue per issue could have come to $25,000.

Shone said the Labour Party was also working on a revamped party monthly newsletter. This would be published in tabloid form with only 20 per cent advertising, he said.

The publication would be handled by the party itself he said. Regional branches of the party would contribute to production costs.

Injunction was the answer to *NBR* reporter's questions

Continued from Page 1

In a phone interview on March 4 with REM partner Brian McSweeney, *NBR* asked if a salesman had ever been sacked for pressuring advertisers with hints that an ad in the right place would help the advertiser out on the wharf.

McSweeney said: "I don't really think so, you know . . . it has been known to happen but I don't really think . . ."

NBR: You've never sacked a salesman for it or anything like that?

McSweeney: That has been done in the past.

NBR: What? Sacked a salesman for this sort of thing?

McSweeney: Oh, um. You know it's . . . er, it's . . . I suppose you could say that. But this happens in any company doesn't it?

NBR: People get sacked every day?

McSweeney: For various things. Anyway, Mr Berryman, I think I've covered that point for you and I would appreciate your putting it in writing.

NBR's reporter, Warren Berryman, put several questions in writing and hand delivered them to McSweeney's office. He was later called by REM and told the answers would be ready for him at 2.15 the following day.

When Berryman arrived at McSweeney's office he waited until McSweeney arrived, followed by partner Terrance Lambert and a man not known to Berryman.

The third man handed Berryman a folio of paper, saying here were the answers – an injunction.

Lambert then came ou from behind a partition with camera and photograph Berryman, who was leav. g with what he thought to be an injunction and his answers.

The *ex parte* injunction – which restrained *NBR* from publishing five specific classes of statements about REM Publishing and its proprietors – also enjoined us from publishing "any other material defamatory of the plaintiffs".

It was rescinded in the Auckland Supreme Court on March 27.

Since then we have again invited REM's Terrance Arthur Lambert to provide answers to our written questions. We have received no answers.

Port News, is typical of REM's publications.

Now a monthly, *Port News* runs between 100 and 128 pages per issue. About 70 per cent of each magazine is filled *with advertising.*

The all-up cost of printing 1500 copies of *Port News* would be about $3000, if the work had been done by a contract printer, according to an independent publisher.

A recent rate card for *Port News* showed full-page ads cost $230, half-pages $140 and quarter-pages $95. This would generate more than $20,000 in advertising revenue from one issue.

A list of advertisers appearing in *Port News* runs alphabetically from AHI and Air New Zealand, to Whites Yamaha and Winstones.

In most of its publications, REM provides advertisers with no clear information as to circulation or readership. Thus it is difficult for advertisers to assess the value of the advertising space.

But assuming that 1500 copies of *Port News* are distributed, and that the full $230 a page is charged, the cost to reach each person with a full page ad comes to 15.3c.

The same sized ad placed in the *New Zealand Herald* would cost $513. The *Herald's* circulation is 239,800 (readership 617,000), making the cost per reach on a crude *circulation basis about .002c.*

Advertising agencies say *Port News* and many similar publications exist on the advertising budget which companies keep for "public relations" or "donations".

The paper's editor, Terry Ryan, said articles for the *magazine were contributed* free of charge by union members. He said he edited the publication without payment.

Port News has carried articles from *National Business Review*, reprinted without permission or payment.

Editorial costs for *Port News* thus appear to be low.

While rank-and-file members of the union receive no financial benefit from the publication, they do receive free copies of the magazine.

And president Crare says it gives a vehicle in which un*ionists can express their views.*

The union once declined the chance to pass on to members some of the profits from *Port News*.

In 1974 a rival publisher offered the union $500 per issue for the rights to publish *Port News*. This money would *have gone into the union's* welfare fund had the offer been accepted.

It would have meant at least $5000 a year for the union.

The rival publisher said he was willing to pay the $500 an issue out of "the substantial *revenue*" of *Port News* as well as supplying other incentives such as editorial copy and crosswords and games for the magazine.

Proceedings, a magazine for the Auckland University Engineering Society, is also published by REM.

Andrew Peek, an engineering student and editor of the magazine, said the society received $200 from REM as an editorial fee for the annual magazine.

The society also received about 600 copies of the magazine dropped into the university in boxes

Peek said he had received complaints from advertisers regarding "unauthorised" ads being placed in the magazine.

Government administration

State refines focus in rigorous spending review

by Colin James

THE most rigorous review of Government spending for many years has been under way in the Beehive over the past few weeks.

A new approach Cabinet expenditure committee has been attempting to stop the relentless rise of state spending.

As Associate Minister of Finance Derek Quigley says, "even with all the mechanisms that have been put in place, there has been a very real growth in the percentage of gross domestic expenditure that central Government consumes".

Those "mechanisms" include the "sinking lid applied to Government staff numbers in 1976.

Broad brush techniques *such as the sinking lid are now* being exchanged for more detailed analysis.

For instance, the Cabinet expenditure committee – State Services Minister David Thomson, Deputy Finance Minister Hugh Templeton and Quigley – has tightened up the COPE (Committee of Officials on Public Expenditure) projection exercise for spending.

COPE projects forward the cost of continuing existing Government programmes and in the past, although the Cabinet has quibbled here and there, the figures have been broadly accepted.

When new policies are added on top, real expenditure increases.

This is well known and the Cabinet last year directed that. *For the coming year's spending* programmes, no new policies will be approved unless an equivalent saving has first been found.

But there is also what Quigley calls "expenditure creep": a programme that, once started, grows and the growth is built into the COPE projections, raising the real cost of even the existing programmes.

"*You authorise a particular* programme," Quigley says, "and over a period of time that programme gets developed and may add another 10 or 15 or 20 employees to that particular section.

"Now we are saying quite clearly that that is new policy.

"*And what the COPE exercise* should be confined to is merely an adjustment of what's there already, not an expansion of numbers – to take account of, say, the inflationary increase of wages as part of the cost of that particular programme, but not beyond that."

Quigley says that ministers found growth had been built into COPE figures in a number of areas, "particularly where you have got very strong advocates, arguing in the context of the Cabinet-officials committee, where they have been able to get written into the departmental figures something beyond the simple adjustments.

"Obviously, some departments are better at it than others.

"*So we have been looking at* those in the context of the existing policy review and we would reduce the vote to take out the volume increases."

Since to provide for the volume increases in important programmes, ministers and departments have had to find savings elsewhere in their vote, there is, in Quigley's view, something of a "watershed" going on right now.

And the rules are tight. Ministers are finding that if they achieve a saving in their capital works programme, it cannot be used to fund a new programme *that will continue* beyond the year in which the saving is made.

But Quigley downplays one fear departments have had: that if they make savings and *then do not get their new* policy through in the subsequent review of new policies, they will simply have lost the money.

"We're trying to be reasonably even-handed about that," Quigley says.

"If in fact a department throws up something that is clearly in the area of compensating saving, the expenditure committee would allow them that same expenditure in the area of new policy if it was in the dollar-for-dollar context."

NBR: "But if you allow the departments, once they've *made the cuts, to always* bring in a new policy, is this actually achieving anything?"

Quigley: "It depends how rigorous your new policies *review* is.

"You're quite right if there is a growth factor built in continually which matches, say, the changes in the consumer price index. In that case you're not making progress at all.

"But we'll have to proceed on the basis that there is a decline in real terms, to arrest or hold the increases that have been taking place in the share of expenditure that central Government has spent."

There is a limit to how far the committee will get this year. It depends to a considerable extent on the ability of *individual ministers to fish out* possible savings and that ability has so far been confined to a handful.

Quigley argues for a new system of making spending decisions.

"We are still dealing with individual ministers, individual departments," he says.

"It is my strongly held personal view that we would be much more easily able to contain total expenditure if we reached a decision around the table on a consensus basis, so that the Cabinet as a Cabinet was committed to a particular course *instead of each minister* having to fight for his own department on his own."

Quigley's suggestion: divide departments into functional groups, for example, social services, and allocate each function group an overall percentage increase: let the appropriate ministers, with the Minister of Finance, decide how to divide up the cake among themselves; and then leave it to individual ministers to allocate their share to programmes within their departments, providing it was not for programmes which would automatically increase subsequently.

But wouldn't even this leave existing programmes sacrosanct, if ministers and officials wanted them to be left alone?

Quigley refers to the operation late last year when ministers were asked to give the Prime Minister their own personal assessment of where savings could be made.

Though the expenditure committee has also had these reports, they have been kept close to those four ministerial chests. Nor are they being brought in in the context of reviews by officials, unless the particular minister wants them to.

"Some of the things that ministers may have suggested could be quite sensitive," Quigley says.

"I am sure if a minister was contemplating dispensing with a particular section of his department, I would have thought the minister wouldn't have discussed that with the *head of that particular section*."

(For the information of nervous civil servants, no such proposals are before the expenditure committee.)

One such paper has been made public to some extent – that prepared by Justice *Minister Jim McLay. (See NBR*, March 24).

Quigley commends that approach, but personally followed a different one.

He asked his department heads "to tell me what they regarded as the least important functions

"I asked them to show me what functions they would dispense with if they were required to reduce their staff by X, X plus 1, X plus 2 and then list them in priority.

"I put that up, not necessarily because I wanted to shed the staff but because I wanted to see where they in fact had *their priorities*."

Are others following these approaches? Since all the papers put up to the Prime Minister are so closely guarded, no one knows what anyone else has done unless the other people tell them.

Quigley, as one of the three members of the expenditure committee who has seen the other ministers' papers is coy about how rigorous they have been.

I put it to him that "my understanding is about another three or four have taken a rigorous approach to this exercise".

Quigley: "I'm not going to comment on that . . . but you may well be right."

Quigley is reticent on the value of help that the parliamentary public expenditure committee could give to the Cabinet committee – one of the main drawbacks being that the parliamentary committee's reports are public.

To do the sort of detailed examination the ministers are engaged in would require the parliamentary committee to have expert assistance.

Would that simply be treading on the ministers' toes?

"It may well encourage people who are now not showing much enthusiasm to review the running of their department to get on and do it," Quigley says.

Many stories are circulating in the civil service about Quigley's sometimes faintly ridiculous pursuit of waste.

One tells of a window-*cleaner who interrupted* several times a conversation he was having with a district commissioner of works

After a while Quigley is said to have complained about the Ministry of Work's window cleaning staff, referring to the source of the interruptions. The reply was that the ministry had no control over their private staff.

So, is "the Cabinet expenditure committee and you (Quigley) in particular being much too detailed", I asked.

"Yes," he said. "We should have much more time to concentrate on the broader policy issues and we can only give ourselves time to concentrate on those issues when we can spend less time on the minor detail."

For that, he looks forward to the use in the future of both public sector and private sector experts.

Derek Quigley . . . guarding against "expenditure creep"

Hugh Templeton . . . on the Cabinet expenditure committee

O'Brien on business

Lloyd analyses structural adjustment policies and foreign trade – without solution

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

NEW Zealand's Long Term Foreign Trade Problems and Structural Adjustment Policies, by economist Peter Lloyd "and others" is a curious mixture of dispassionate economic analysis, and concern that policies for structural adjustment should take account of social factors.

The latter are a new element in the analytical work of economists, who may be stung by accusations that their plans fail to take account of human factors, and are short on specifics.

Lloyd's work, published by the Planning Council, tackles some of these issues, but it gives no solution to them at the individual level, possibly for two reasons.

First, the authors say they "shall consider only the broad basic features of structural adjustment assistance rather than recommend a detailed set of policies". They have three reasons for that approach: "The optimal set of policies will depend very much on the main structural changes.

"Second, we do not know enough about how structural change occurs in New Zealand, and what the main problems have been and will be in the future.

"Third, there are no firm guidelines to be obtained from overseas experience. Despite a decade or so of experience with structural adjustment of various forms in OECD countries, the experience is still limited in scope and no universal principles have emerged.

"The lack of definitive opinions in the world concerning structural adjustment assistance policies itself suggests the first general principle. A programme of structural adjustment assistance measures should be flexible. In this area New Zealand should be prepared to experiment and to learn lessons from its own experience".

It is difficult to challenge a document based on a brief which the authors have defined themselves, particularly if it meets the criteria set out in the brief.

The Lloyd report meets the criteria, but large sections (apart from the excellent analysis of our present condition particularly in trade) raise a "so what?" reaction.

On the one hand we see no policies because, among other things, we "do not know enough" and there are no firm guidelines to be obtained from overseas. On the other New Zealand should be prepared to experiment and learn from that experience.

There is no guide to the nature of the experiment, apart from broadly defined "policy options", a removal of import licensing over five years, a "review" of export control by producer boards, and export subsidies' revision.

The import licensing recommendation is ironic. In *NBR* February 14 1979 (before Lloyd and colleagues started work) we said: "The 'liberalisation' of import licensing should be phased in over at least a five year period (or even eight years at 12.5 per cent a year) and be directed in the first instance to textiles and apparel. A phased period is necessary to minimise employment disruption and to allow for reallocation of people into the industries which would grow up from the industrial development programme".

We had several other specific recommendations, so feel able to reject the "what would you do?" criticism, while acknowledging that many others have made similar proposals.

There may be another reason for economists' reluctance to be specific when presenting "solutions" for our woes.

They refer these days to "political" problems when talking about policy. No doubt their professional or academic integrity would be compromised if they put the "political" into their analyses. (and of course in this age of computer analysis programming, political questions would be a major challenge).

The tentative approach to political and individual social aspects of various policies may leave the economists intellectually pure, while lesser mortals have to live in a practical world, but it also accounts for the growing accusations that they are "copping out" when the going gets sticky. (The universities made a mistake when they removed the "political" from the old discipline of "political economy").

The Lloyd report tells us that "no single programme in the area of structural adjustment is adequate for structural adjustment problems. A package approach will[...] required.

"Further guidance as to[...] kind of structural adjust[...] assistance policies [...] should be set up in [...] Zealand clearly requires [...] knowledge of the change[...] Government is introdu[...] the preferences of the [...] munity and the economic [...] structural change. We [...] merely indicate the [...] kinds of policies and com[...] very briefly upon a [...] aspects".

"The options available [...] clude:

- Capital market sub[...] and reforms,
- Labour market subs[...] labour retraining sub[...] mobility assistance, temp[...] income maintenance [...] on,
- Technology developm[...]
- Productivity improve[...] schemes: mana[...] efficiency, inter-firm [...] tition, improved ind[...] relations, and so on.
- Hard-core industry [...] lems.
- Regional problems".

There are specific [...] in the female sec[...] labour market.

In another section [...] report the authors [...] growing number of w[...] the labour force.

When talking of polic[...] the labour market they [...] the changes in the stru[...] the economy are sub[...] some labour retraining [...] necessary since it is [...] that the composition [...] of the labour terminat[...] not equal that of the skills in the jobs for which demand increases".

"Here one choice is that between retraining of labour on-the-job and retraining off-the-job. For labour which is unable to find another job, income maintenance may be paid in some form. But again there are some difficult choices as the the level of the payments. If payments are not income-related, the labour in general will suffer a greater income loss.

"Consequently it will in the first instance more vigorously oppose changes. If it is income-related there is less incentive to seek another job or to undergo retraining. In addition income-related benefits may be considered inequitable, though the equalisation of the income loss from structural change would require a differentiated income-related system of benefits".

The report also talks about regional shifts, and labour mobility.

Those matters can be considered in relation to the women in the workforce.

Take the case of married women in a small town who lose their jobs through "structural adjustment". What happens to the "labour mobility" theory? Do these people shift to another region by themselves, does the whole family move (in which case the husband has to find another job), or do they stay where they are and look at the other labour market options – retraining and so on?

If the woman stays where she is, and is unable to find another job is "income maintenance paid in some form"? That requires a change to the present policy whereby unemployed married women, living with their husbands who are employed, are ineligible for unemployment benefits.

Would the authors of the Lloyd report and/or the Planning Council recommend specifically such a change in the field of "income maintenance", or is that getting down to specific policies and the "political"? If they would make a recommendation they should say so. If they say it is "political" or too "specific" how do they square that approach with a definite recommendation that import licensing be phased out over a five-year-period.

We can look at another specific problem based on the following passage in the report: ". . . the losses *and* gains in income which fall directly upon the owners of capital and the suppliers of labour in the activities affected will in many cases be concentrated on fewer households than the benefits in the form of lower consumer prices or new products".

An excellent concept. Would the economists accept it if, in the process of restructuring, we decided there was a need to cutback on economists in the universities, in the Treasury and in Trade and Industry?

The effects would possibly be concentrated on "fewer households", but what would happen to aloofness from "political" questions then? The economists would realise that many other people, put their "household incomes" on the line daily unlike those with income and job tenure security. Suddenly we would find the economists looking at the political implications of policy.

The concept is probably correct, but either they look at specifics when recommending action, or they stay out of the recommendation area. Economic analysis of the nature and causes of a problem can be conducted along traditional research lines. Solutions must accept the fact that we all live in a real world of real people, with real problems and aspirations. The "political" balances the group against the individual over time, and eventually takes a path between the two.

It is unrealistic and sterile to talk of "fewer households" in a vacuum, and try to overcome objections by referring to broad proposals which have been presented for years, while avoiding specifics.

At least the authors accept that "in understanding the current problems of the New Zealand economy, it is important to appreciate that the perception of these problems is not new. Indeed, it is now a longstanding theme in the economic history of the country".

They add this generalised statement: "This study has been concerned with clarifying and improving the choices among alternative economic policies and policy instruments. The precise choice of policies and instruments should be base on a clear view of the economy, the relationships between Government actions and the response of workers, firms and households. It should also be based on a clear weighting of the different objectives of economic policy. These are essential parts of the consciousness of the true economic issues involved.

"These policies should be co-ordinated and not piecemeal responses to each exigency of the economic or political situations. The deployment and development of human resources, both policy-makers and others alike, is more important than the utilisation of natural reresources".

Solid stuff, but what's new? It may seem strange, after some of the things said here over the years, but one's deepest sympathy goes out to the public service administrators and their political masters, as well as to private firms and unions who are presented with the "Planning Reports".

The Planning Council and its contracted writers can stay aloof from the specifics. The administrators must look to the detail of the sweeping panoramas, including the "deployment and development of human resources" which takes us back to those unemployed women in small towns.

Parts of the Lloyd report are extremely valuable in terms of analysis of the problems, and for the few specific proposals. The rest is another statement of broadly stated "solutions", which we have been reading for years, but more so since the Planning Council came tripping along.

There would be less objection to these exercises in "Planning Reports" from the "Planning Council", if the word "debating" replaced "planning" in both descriptions.

Private sector out front in restructuring effort

THE private sector is well ahead of the Government and various "advisers" in "restructuring the economy". Takeover activity this year has started off strongly, and is likely to be maintained at the same rate for the next nine months.

Offers for companies over the rest of the year will have to be massive to top Fletcher Holdings' bid for Carter Holt (an offer which is slightly over the net asset backing for each share given in the latest annual report).

Two factors govern the financial terms of a takeover offer, apart from the potential for rationalising activities and acquiring diversified interests.

Earning rates in b[...] buyer and the targ[...] relevant, as are the value[...] assets being acquired.

Earnings can fluctuate[...] may deter a potential bid[...] the necessary price is [...] higher than the peak ear[...] per share obtainable from [...] investment.

Asset values are a [...] guide to a bid price from [...] viewpoint of the private [...] vestor, because offers wh[...] are well below asset value [...] to find director resistance [...] the offeree company. At [...] point the offeror either g[...] up, engages in a takeo[...] battle, or faces a challen[...] from another company.

In most cases the inves[...] makes a handsome capital gain through buying into companies with good asset values relative to share price, and which may have the potential to attract a takeover offer.

Examples of each situation occurred in recent months. The Black Horse offer for General Finance resulted in shareholders gaining $1 a share on their investment in less than a year, although the "true" value of General Finance's shares in terms of asset value will probably never be known.

The Fletcher offer for Carter is about $4.25 a share, compared with the $4.20 shown in last year's annual report, and the share price was $3.04 on the trading day before the bid, and $3.15 in the morning of the bid day (it was announced in the afternoon).

Last week the Carter Holt directors were still to consider the offer -- it has not yet been sent to shareholders in terms of the Companies Amendment Act, 1963. It will be interesting to see their reaction to the price in relation to asset backing. Asset values in companies with forestry interests are difficult to assess absolutely, because the growing timber complicates the calculation.

There are many companies on the list with share price well below the net asset backing of the shares. The trick is to sort out which ones are likely to attract an offer sufficient to offset a holding cost against the eventual capital gain on the investment.

And it must be remembered that "net" asset backing is often below the "true" value if up-to-date valuations are applied to the main assets.

The machinery (and engineering), construction, and, possibly, motor industries are sections in which more mergers would be logical. There are enough companies with the requisite gap between price and asset backing in those industries to satisfy most desires, but there is no guarantee that any offers will come in the foreseeable future. On the other hand they could come tomorrow.

Some observers watch for unusually high turnover in potential takeover stocks when looking for such an investment.

In relation to investment generally, there were intriguing comments from Terry Fitzgerald, deputy chairman of the Finance Houses' Association, on Television Two's news on March 31.

According to Fitzgerald, the draft Securities Regulations discriminate because they exclude trading banks, savings banks, and building societies. There were also some other things he did not like.

The institutions that Fitzgerald named are not excluded by the proposed regulations, but under section 5(2) of the Securities Act, 1978, a document prepared after detailed submissions from interested parties including the Finance Houses Association. Surely the deputy Chairman of the Association should know the nature of the document about which he complains?

He also felt that the proposed regulations would not have stopped many of the 1970s crashes. No? You receive a fine of up to $15,000, and the attendant publicity, and you still manage to keep going and build up a ramshackle empire which eventually crashes?

The FHA's spokesmen used to do better than that. They can also make submissions on the proposed regulations.

O'Brien on business

Quarterly gloom cast on credit and consumers

THE economy is in for another period of difficulty, if the latest *Quarterly Predictions* of the Institute of Economic Research are correct.

There is always the possibility that the institute may be proved wrong if the Government reacts to projections and adjusts policies. That has happened previously, as shown in the institute's brave comparison of previous forecasts and the final outturn.

The institute forecasts increased Government spending in the 1980-81 fiscal year, after restrained activity in 1979-80, but sees continuing high inflation, a slight fall in net farm income, a 0.5 per cent fall in the volume of private consumption, and a 15 per cent price change.

"Weakening real disposable incomes, tighter credit, and consumer caution are the main causes" for this change, but "a substantial lag exists between weakening demand and reduced inflation".

The recent rise in private sector interest rates (the DFC's "12-20" securities, and Fletcher Holdings's 15.5 per cent debenture issue) focussed attention on possible moves in Government interest rates in the current year.

The institute's brief does not cover projections of likely public sector interest rates, but one section is relevant to an assessment of movements this year:

"It would appear that the Government is having less success in financing its spending by Government stock and special savings stock issues. The savings stock issue floated in the December quarter did not attract many funds. No savings stock or special issues have been floated during the March quarter.

"Unless interest rates on government securities are increased significantly the Budget contribution to the monetary base is likely to move more closely with the actual Budget deficit during 1980-81.

"We doubt whether the sharp decline in the size of the contribution to the monetary base from Budget and Reserve Bank compensatory deposit transactions during December 1979 (compared with the previous year) is likely to be repeated in the March quarter. In spite of a quarterly surplus similar to the previous year and compensatory deposits of the order of \$500-\$550 million, a much lower level of internal borrowing from the non-financial private sector is likely to mean a much smaller withdrawal from the monetary base.

"Should this pattern of a low level of internal borrowing continue, then the contractionary effects of a reduced Budget deficit on domestic activity will be moderated".

The institute's forecast of the \$500-\$550 million forecast for compensatory deposits is below the actual figure of \$594 million advanced to the trading banks by March 20 (trading bank statistics are accumulated each Wednesday).

The institute is saying that a cut in the Budget deficit would have a contractionary effect on the economy, offset by a lower level of borrowing from the non-financial private sector.

On the other hand, a Budget deficit lower than the previous year, but still proportionately ahead of borrowings, would increase the monetary base.

The question is whether the Government sees sufficient trade off from a lower deficit before borrowing against a static or increasing monetary base.

If the tradeoff is deemed insufficient, the Government must attract part of its deficit from the non-financial private sector, or the monetary base will increase, with a flow-on to money supply and credit expansion.

Given the comparatively limited success of recent stock issues, the Government would have to compete by raising its interest rates in line with private sector trends, particularly at the longer end of the market.

The DFC's new effective call rate, which required the approval of Finance Minister Rob Muldoon, has altered further the relationship between short and long term rates.

The Government may have no wish to restore an exact relationship between its own short and long rates. But i[…] may find competition with th[…] private market politically u[…] acceptable, in which case th[…] the option of lifting ratios [...] captive institutions, althou[…] that is less desirable th[…] drawing funds directly fr[…] the market.

The Government seems [...] likely to reduce its rates [...] whatever issues it raises.

They would then be [...] less attractive, because of [...] gap between public [...] private sector rates, b[...] allowing for higher security [...] the former. A modest adju[…] ment between short and l[…] securities could occur in [...] interests of a balanced ma[…] rity portfolio.

Interest rates also have [...] effect on the institute's f[…] recasts for stocks. The auth[…] consider that growth in [...] in 1978-79, and higher int[…] rates, will result in a b[…] response to dispose of s[…] rather than increasing [...] Production could decline [...] much as 1.5 per centa[…]

Law

Bendon Berlei's diversion on route to Heaven

by Jack Hodder

ACCORDING to the *Modern Economic Growth Gospel* (revised New Zealand version, c 1979), a company which engages in a joint venture, utilises overseas capital and promotes trans-Tasman trade at a tidy profit, is on a one way trip to Heaven. That being so, a stopover in the Auckland Supreme Court is an irregular diversion and deserves closer investigation.

The corporate pilgrim is Bendon Berlei Limited, and its diversion resulted in impalement on the receiving end of two mandatory injunctions issued last month.

The tale not only encompasses the perils of the Tasman Connection but also illuminates the ways of men and the laws on limited liability companies.

Bendon Berlei Limited was incorporated in New Zealand in 1970. Forty per cent of the company's capital consisted of "A" shares held by an Australian company — Berlei Hestia (NZ) Limited. The remaining 60 per cent of the capital was held by New Zealand shareholders.

The company's articles provided that management of the business of the company was vested in the directors. These consisted of two groups: three representing the Australian company; and three representing the New Zealand shareholders. The articles also required that 40 per cent of the "audited annual net profit disclosed in the books of the company" be declared as dividends payable to the Australian company.

Things went very nicely for some time. The Australian company apparently exported marketing and technological information to the New Zealand company, and imported the New Zealand company's goods. The New Zealand company held a strong position in the market here and operated quite profitably.

In 1977, the New Zealand company commenced selling direct to the Australian market, by-passing the Australian company. This led to what lawyers delight in calling "an irretrievable breakdown" between the Australian and New Zealand forces. At that point the New Zealand directors took two rather unfriendly steps.

The first was to prepare a set of 1976/7 accounts, which deducted a significant sum (designated "Plant Renewal"), from the tax-paid profit of the New Zealand company.

A similar debit was included in accounts prepared for the following year.

The effect of these was to reduce the sum available for distribution as dividends to the Australian company. The Australian directors responded by declining to sign either set of accounts. That meant that those accounts were not filed with the Registrar of Companies.

The second step — the Australian directors were refused access to the New Zealand company's premises and records, and the New Zealand directors assumed full control of management.

Enter the legal profession.

The Australian company and its group of directors issued proceedings against the New Zealand shareholders, directors and the New Zealand company itself alleging conspiracy to oust the Australian company from its involvement in the New Zealand company.

Those proceedings have yet to come to trial. But in a five day hearing in February, the Australian plaintiffs sought interim mandatory injunctions to restore the *status quo*, as it had been prior to the unfriendly steps.

Mr Justice Mahon heard the argument, reserved his decision, and a fortnight later delivered a 41-page judgment which concluded by granting the injunctions sought. (Berlei Hestia (NZ) and others v Fernyhough and others, Mahon J, Auckland Supreme Court, A 1457/79; March 7 1980.)

In respect of the deadlock on the new debit item in the accounts, he noted that persistent default by a company in complying with statutory requirements under the Companies Act 1955, is ground for a winding up petition by the Registrar.

The possibility of such a drastic step being taken, was such a threat to the proprietary interests of the Australian company, that an injunction was justified. The New Zealand shareholders and directors were ordered to take all steps necessary to see that pre-1977 style accounts were prepared, audited, approved and filed for the 1977, 1978 and 1979 years.

In dealing with the injunction relating to access to the New Zealand company, Mr Justice Mahon traversed some fundamental aspects of the law on company directors.

First, he affirmed that there is no legal or equitable principle preventing a director of one company from being a director of a competing company. In doing this, he noted the strictly enforced prohibition on directors making any profit out of their fiduciary position, but went on to distinguish that strict liability from prohibition of a director taking up another directorship where, if he chose to be dishonest, he would be in breach of his duty to one or other of the companies.

Given the widespread occurrence of multiple directorships in New Zealand, the judge's ruling is hardly surprising (See *Multiple Directorates and Loss of Corporate Opportunity*, an LLM research paper held in the Victoria University law library.)

The second injunction also raised the question of a director's right to attend board meetings, and examine the records of a company.

The New Zealand forces' case was that the Australians were competitors, and it would be unreasonable for them to be able to peruse the New Zealand company's books. They relied on a quite recent English case which held that a director's right of inspection was a common law right and thus subject to judicial discretion. (*Conway v Petronius Clothing Co Limited (1978) 1 All ER 185.*)

Mr Justice Mahon was not overly impressed with the English decision and, after examining English, Australian and American authorities, concluded that a director has a power to inspect a company's records in order to comply with his statutory and fiduciary obligations to the company. If it is shown that the purpose of the inspection is not for the purpose of fulfilling those duties then there will be no power and it could not be enforced.

In the present case, there was nothing to disentitle the Australian directors from exercising their power of inspection and it would be enforced by injunction.

Looking ahead, there are good prospects for more fascinating corporate litigation. Apart from the main conspiracy proceedings, the legality of a resolution of a special general meeting of the New Zealand company to sell its whole undertaking to another company, (doubtless controlled by the New Zealand forces), seems likely to be tested.

Here endeth chapter one of a cautionary morality tale.

Admark

Audience sampling: media research under fire

by Grev Wiggs

AN advertising man has attacked the technical accuracy of media surveys. Not just some or merely a few, but all media surveys from all sources, are suspect he states.

This is akin to telling the medical association that you can no longer rely on an electrocardiograph to provide a correct representation of the heartbeat.

Media research provides *the rich* bloodstream of information on who reads, listens, sees — newspapers, magazines, radio and television.

The research is minutely examined by media buyers whose job it is to deliver the maximum number of a carefully profiled audience at the minimum cost.

Using the information supplied by the surveys, the expert crafts an intricate mosaic of audience patterns, on which rest the disposition of millions and millions of advertising dollars.

Advertising agency expertise in this area is a demand requirement by advertisers, and agencies spend tens of thousands of dollars buying the products of media research.

Hunches are out, computer runs are in — and the buzz words are media knowhow.

So, when a responsible Auckland advertising agency executive describes the current standard of audience sampling for media surveys as "appalling", the walls of Parnell agencies begin to vibrate.

The critic is Miles Maxted, management services director of G/S/I and Associates. Twenty years ago, he founded the National Research Bureau.

He has taught management subjects, including market research, at the Auckland Technical Institute. Ironically, he was a foundation member of the Auckland branch of the New Zealand Market Research Society.

No longer a member, he explained his concern to two meetings of the society.

He feels that the society has failed to educate practitioners in sampling practice.

He does not believe that there is any deliberate attempt to rip-off survey buyers, but suggests that good sampling intentions are thwarted by inadequate supervision of survey fieldwork.

Maxted's office contains a computer named FRED which is an unpublishable acronym. Every random sample survey he receives is first fed into FRED to be checked against population statistics.

The computer screen *reports the exact odds on the* trueness of the survey's sample and adds a wry comment such as "Good one", "Bad news", or "Suspicously good."

The last comment comes up when a sample has been reweighted. Maxted is opposed to this widely used technique.

Maxted wrote a satirical piece to illustrate his viewpoint, and based it on the results of a McNair radio ratings survey. He said he was not singling out McNair, and that similar criticisms applied to other media research organisations.

"The latest McNair Radio Survey of Aucklanders has revealed the fastest change ever found in employment status Maxted wrote. Since June 1979, the numbers of Auckland professionals and senior executives have nearly trebled, while junior sales and *clerical workers have more* than halved.

"These series of surveys are accurate here to within 11,000 people — that is, because they are "stratified multi-stage probability" samples of about 1300 Aucklanders each, they cannot be wrong by more than 11,000 people.

"Similar surprises in Auckland radio station audiences are reported by the same surveys. These share-of-audience figures show significant changes over the last seven months.

"These figures are accurate to within 2.5 per cent, *sampling theory* says, and both sets are vital indicators for people in business. Dealing with population trends involves millions of dollars, and accurate surveys replace *all* the guesswork."

Maxted explains survey principles and then, with tongue in cheek, pontificates:

"The employment trend has now been tracked over three separate, large McNair surveys. If it persists, by 1986 most Aucklanders will be professional workers or senior executives — and they could be 1ZM fans. In short, Auckland will soon be all chiefs and no Indians living on rock music.

"Should there be any lingering doubts, please remember that these figures *are taken from* properly-conducted surveys using stratified multi-stage probability samples that you can bet your last dollar on. Your very last dollar!"

We invited Richard Todd, managing director for McNair Surveys, to comment on Maxted's opinions and on the satirical piece he had written. Todd did not find the latter amusing.

Todd asserts that survey methodology is now superior to the standard prevailing when Maxted was a practitioner. He refutes the possible implication that the radio ratings figures are "false" and states that two successive McNair surveys and BCNZ surveys prove that 1ZM reached this level of audience.

Although BCNZ *surveys* over different periods, comparison confirms that the results of BCNZ and McNair support each other.

The classification data quoted by Maxted gets into an area described by Todd as "potentially embarassing." He claims that the main groupings are remarkably stable from survey to survey.

For example, "children/students" are recorded at 19 per cent in all three surveys and those under "home duties" are covered by a 21-23 per cent bracket.

When a person is asked to classify himself or herself as "high professional, managerial or administrative" or "intermediate managerial, senior clerical" or "junior, sales clerical", a highly subjective judgment is called for.

The different occupation classifications in the three *surveys, according to Todd*, reflect not different sample compositions but different classifications of occupations by about 6 per cent of those contacted.

Perhaps there's a little bit of Walter Mitty in all of us and Todd's explanation may well be correct. But the hard-nosed business person is hardly likely to find these results a bankable proposition. It appears Maxted has a point.

It might be asked why, if Maxted is unhappy about certain research standards, he has not complained to the

Maxted is opposed to *weighting techniques*. One highly qualified researcher has told us that, properly applied, weighting is a perfectly legitimate technique.

Another — qualified statistician, supports Maxted's point of view.

A leading figure in statistical method told us that there was no lack of knowledge of research techniques in New Zealand, though some researchers could be found a little wanting in statistical method. The problem was that the economic constraints imposed by a small economy limited the size of research budgets. This made it difficult to carry out services to acceptable standards compared with those of other countries.

He described much of the work as partially satisfactory.

If this is a correct appraisal of the state of the art, it still poses more questions than it answers.

What is the additional cost of raising research to the highest possible standard and can we afford it?

Do we want better research or more research?

When you consider all the variables that are possible in *the complete marketing chain* stretching from factory to consumer, will a slight relative improvement in research influence the final result in any great way?

Most marketing and advertising men would agree with the pragmatic conclusion of a Wellington media director. The standard required is one on which media buying decisions can be confidently made.

At this level, the best New Zealand media research is highly acceptable.

GM's market spearhead gets the once over

Motoring Writer

COMMODORE sedan and station wagon is the spearhead of General Motors attempt to regain market leadership.

GM lost its market standing to Toyota last year and finished up in fourth slot. The company had been the market leader not too many years ago, but when its model line-up became orientated towards cars that consume fuel at a rate no longer socially or financially acceptable, decline was inevitable.

It could be some years before GM is in a dominant position again, but every new model helps – even if it does sport an engine loaded with consuming pollution-reducing features that was designed well before 1973.

The Commodore sedan, released to Australian motorists in 1978, was instantly received by the motoring press and buyers as a long awaited breath of fresh air.

Local assembly of the car began last year, some months after Ford's new Falcon XD range hit the showrooms.

To counter Ford's new models GM teased prospective buyers with a limited number of fully built up units. These were distributed around its contracting dealer network in an attempt to avoid a rush of big-car buyers to Ford's attractive new entry.

It looks as if this ploy worked. Post Office registration figures for 1979 showed that August was the best month for the Falcon, but with the availability of locally assembled Commodores improving in November, the Falcon range has been relegated to second slot. It also faces strong pressure from the discounted Holden HZ Kingswood and Premier range. January 1980 figures also show GM leadership in this sector of the market.

With the introduction of these new models there has been something of a revival in sales of large cars. Large cars captured 14.6 per cent of new registrations, well above the 12.7 per cent achieved for the whole of 1978 in the last quarter of last year.

As more buyers appear to be opting for larger cars, we obtained a Holden Commodore Wagon to see what the interest is.

The model tested, an automatic version, included power steering and was well equipped probably better than most locally assembled sedans.

The test car was an imported version but the locally assembled ones will differ little.

Priced at $15,500, and due to increase when ho production starts, the Co modore remains very comp titive. Opposition includes Falcon Wagon ($14,8 Datsun 200B Auto ($12,3 and Mitsubishi Sig ($11,765). None of these co near to the qualities found the Commodore, although reasonable to compare it the four-cylinder wag because these offer signific advantages in engine perfor mance and economy.

Holdens since 1977 vintage have undergone revolution as far as hand and ride are concer "Radial tuned suspension gives the Holdens respo predictable and safe hand characteristics while retai a commfortable stable ri These features are conti in the Commodore serie

The Commodore W has a handling/ride co ation that would rank the best found in any w

It is reassuring to kno if you approach a co speed higher th recommended – th modore will continu positively through ride remains essential

If your nerves cann then the brakes are m sufficient to bring thes quick stable halt.

The automatic transm is smooth and easy to p Along with excellent sea responsive yet not too l power steering and fine visibility make for easy ing.

The driver's seat has device that enables the seat be set at a height to suit one.

The Princess has this ture but the Commodore much easier to operate.

The seats are big enough make the longest trip a dre Support is there in all the places.

Interior trim is ob keyed to the exterior finish mix of plastics, brushed ny and large amounts of carpe

Overall, the interior is w presented with some pa ticularly attractive feature the vanity mirror in the glove box, for example, and the in strument facia and contro (all clear and well positioned)

Petrol consumption probably the Commodore's biggest shortcoming. The car is well designed in most area but achieving 20 mpg is ex tremely difficult. The new model needs a more econ omical motor.

The motor used is the reliable 202 unit (3300cc six cylinder) that was launched with the HQ Kingswood back in 1971. Its origins date to the sixties – when a gallon of pet rol cost about the same as a jug of beer.

Fitted to the Commodore with exhaust controls and an automatic transmission, it is adequate. At low speeds it is flexible and smooth but no where near the level achieved with modern European sixes of similar capacity. In other respects it meets these expen sive and highly rated moto cars feature for feature, offer with a huge price margin in the Commodore's favour.

It looks distinctive at wo at best you could rave abo it. Most people would rate it somewhere between the tw The car as a whole, however deserves a much more pos tive overall rating but is le down by its thirst for petrol

Overall rating: Excellent

Air New Zealand hardening to islands' challenge

AIR New Zealand is grasping to redefine its role as an airline in the Pacific, at a time when emergent island nations with their own airlines are reaching a new stage of maturity.

Apart from its Australian connection, Air New Zealand's major profitable route is to the United States. It is now firming up plans for Pacific routes which promise a more aggressive stance than in the past.

In earlier times, Air New Zealand saw the Pacific as a stepping stone to the Americas. The much larger capability long-haul DC10 has proved a commercial embarrassment on the shorter-haul routes, particularly those where traffic growth has not been large.

At the same time, island states with fledgling airlines have outgrown their colonial status. Their expectations have increased, even if their performance cannot match the higher goals they have set themselves.

The last few years have seen Air New Zealand involved in several battles with Pacific countries. The airline has given plenty of ground, but seems set to make a comeback based on the concept that if the island states want to be treated as equals, then the days of lenient competition have to be over.

Fiji, Western Samoa, and the Cook Islands have all taken on the New Zealand airline and the New Zealand Government, to win concessions on routes and traffic built up by Air New Zealand.

Both Air New Zealand and Qantas have given up any pretense of controlling Air Pacific. The South Pacific Airline Council (SPAC), which some had hoped would be the cornerstone of a regional island airline, is now a dead letter.

And as each island state has reached independence, building a commercial airline system, however modest has been a top priority for each new government.

Air Pacific broke into the jet age with the decision to go alone on the purchase of three BAC 1-11s, a choice the airline now finds financially embarrassing in the new era of higher fuel costs.

It is working as fast as it can to get rid of the "fuel gobblers" and into the more economical Boeing 737s. Plans for an early purchase of a 737 were set back when Polynesian Airlines decided to go ahead with their order. The Western Samoan Government had been playing hard to get over guaranteeing the loan to the airline. Air Pacific hoped to pick up the place on the Boeing production line if Polynesia dropped out.

Air Pacific has been discussing with Air New Zealand the lease of a 737, but nothing has been finalised.

Meanwhile Air Pacific has cut back expansion plans to the United States, but is pushing ahead with other new routes to Tahiti, recently vacated by UTA.

Air New Zealand's plans for a bigger South Pacific presence, centres on redeployment of its aircraft fleet. A new bilateral agreement with Fiji gives Air New Zealand access to Suva from April. Air New Zealand will deploy 737s on that route on a terminating basis. Long-haul services to Los Angeles will continue through Nadi.

Boeings will also be used on flights to Rarotonga and Tahiti through Tonga, as well as to Noumea. The idea of using Tonga as a transit point has not pleased Air Pacific and Polynesian who publicly criticised Air New Zealand earlier this year.

Part of the plan will mean upgrading Tonga's Fua'a'motu Airport, possibly by extending and strengthening the runway, and certainly by putting in night lights. Air New Zealand would then be able to use its Boeings internally by day, and in the Pacific by night.

Increasing the flight frequency to the island states would also raise the airline's status among governments which have often hit out at the fares charged and the service provided by Air New Zealand.


Doug Patterson . . . grand design

Using the more economical Boeings should enable fares to be held for longer periods, and the increased frequency may help to even out tourist flows.

To some – like board member Doug Patterson – there is a grand design to it all.

He was pushing the line last year of a new South Pacific aviation alliance between New Zealand and its island neighbours – excluding Australia. (see *NBR* 26 Sept.)

Under the Patterson plan there would be multi-stop fares between the United States and New Zealand. Inter-lining would be encouraged; travellers would leave their inter-continental jet for a few days in a particular place and pick it up later on, possibly at another island resort.

While the concept has not been ruled out in the Government's white paper outlining its new external aviation policy, precious little has been done to get the concept operative either.

In fact, under the current New Zealand-United States fares agreement, travellers wanting stopovers, or to change airlines at some intermediate point, are financially penalised.

The net effect has been to encourage end-to-end travel, and to discourage general tourism through the islands.

That has not pleased countries like Fiji, who clearly see the dangers of following airlines to overfly the country, now the need for refuelling stops are gone in the long range jet age.

The Patterson argument also reflects the old tourism industry orthodoxy, that the South Pacific as a whole must be sold in one package, in order to attract tourists.

Australia broke away from that with its point-to-point *cheap fares agreement* with the United States -- but the tourist industry there now realises that whatever benefits the policy had for the consumer buying overseas traveller -- it has done precious little for the local operators handling visitors to Australia.

No one in the local tourist industry seriously argues that we could stand on our own in international markets. Plainly we have to ally ourselves with some one.

The principal advantage for Air New Zealand in the new South Pacific deal a la Patterson is that it would be the most significant long range carrier, and if the Boeing plan goes ahead, an important mover of people regionally as well.

However, it may be a few years before the scenario comes to pass. In the meantime, the island airlines have to grapple with the ever rising cost of fuel, at the same time as financing their moves into more modern equipment. That, plus the continuing policy pressures of both the Australian and American Governments, promise to make the Pacific aviation scene one of continuing interest in the next decade.

Cressida.

Toyota announces a rare car.

Cressida combines technology that is uniquely Toyota, with luxury that success deserves.

Here is more sheer comfort and prestige than one might reasonably expect.

A quick two litre engine gives you thrust without thirst – a very responsible consideration for thinking owners.

The instrument display includes, amongst other uncommon delights, a quartz crystal clock and fully integrated cassette stereo.

The front seats are infinitely adjustable, – and the driver's seat embodies a lumbar support zone which you adjust to gently ease lower back fatigue.

And because Toyota make the Cressida, all this luxury is on top of quality.

Not instead.

Cressida.

At the moment 5 speed manual $12,000 and automatic $12,500.

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Energy

US industry getting more out of oil barrel

by John Holway
USICA Staff Correspondent

HIT by the steeply rising energy costs, American industry is saving oil and finding it can produce more with less energy.

By 1978 it had already increased its efficiency by 17 per cent over 1972 – the 1980 goal – and it was still improving.

Total energy use has not gone down – it was up about 1 per cent in 1979. But it has levelled off.

In 1976, for example, industry was increasing its energy use by some 15 per cent a year.

Industrial use of oil has also hit a plateau. Consumption went up only 3 per cent last year, compared with 7 per cent four years ago.

"The climb appears to have been curbed," one United States Government official says.

"I expect that from now on, American industry will reduce its oil use, to zero by the year 2030."

Since industry uses a third of all energy consumed in the United States, and about one out of every five barrels of oil, its success in conservation will have a big impact on the nation's over-all conservation effort.

The big savings so far have been in housekeeping – that is, the obvious but essential matters such as closing windows, turning off lights, keeping thermostats down.

"Industry was notorious for not worrying about energy," one official says.

"It was cheap. It didn't matter."

Factories even ran heat pipes into storerooms. But that has changed.

Part of the savings in oil has come from increasing use of coal. In spite of the environmental problems of coal, its use in industry went up some 4 per cent last year, following several years of declining use.

Natural gas use went down sharply last year, in spite of the paradox of a "gas bubble," a temporary period in which gas supplies are plentiful.

American gas officials deny that it is a problem of oversupply. Rather, they say, it is underdemand.

Seven years ago there were fears that the United States was running out of natural gas, and the Government urged users to shift to oil.

The oil companies say they lost 3,000,000 million cubic feet of sales as a result – 1,000,000 million cubic feet forever, as customers made expensive changeovers to oil-burning plant.

"But that trend has turned around," gas industry officials insist.

They are making a spirited effort to win back the customers they lost in 1973.

Gas is still cheaper than oil, they point out. And they say some old customers are converting back to gas, while new customers are coming in.

And since this has been a relatively warm winter, less gas is needed for home heating, so more has been available to industrial customers.

"A lot of customers who should be using gas, are not," gas officials say.

"If we can get those industrial customers back, there will not be any gas bubble."

But, they insist, there is no danger of future shortages either.

Even though domestic American production is slowly decreasing, supplies from Canada, Mexico, plus liquefied natural gas from Algeria and Indonesia, are increasing.

And in the future, engineers will be developing synthetic gas from shale, coal, peat, and waste.

Coal gasification is a future option.

"The technology is here," officials say. "The question is whether the price is right to make it technologically feasible.

"We're pretty sure we can supply whatever demand is out there. Our biggest allies are the OPEC people.

"As long as they keep raising the price of oil, gas is always going to be cheaper."

Geopressurised gas is another future option – if the technology can be developed. This would involve drilling much deeper than at present.

How much gas will they find?

Estimates run anywhere from 20 per cent to 300 per cent of present reserves.

"It's possible there is a tremendous amount down there. Can we get the technology?" gas officials ask.

Many industries are economising on energy in a variety of ways. Nation-wide, their goal is to increase energy efficiency – energy use per unit of output – by 17 per cent over the 1972 level.

Overall, they reached that goal two years ago.

The huge chemical industry set itself the toughest goal – to cut energy use by the equivalent of almost 300,000 barrels of oil a day.

This is a 14 per cent improvement over 1977. They passed that target easily and had reached 17 per cent more efficiency by 1978, the last year for which data are available.

They did it by replacing old, less efficient plants, burning waste liquids and gases in new waste-burning boilers, and installing boiler economiser units.

Some companies are spending large amounts to permit wet grinding of phosphate rocks, eliminating the drying process. Others are now able to burn a slurry of coal and water in place of oil.

The petroleum and coal industry is itself the number-three consumer of energy to produce energy. It has an ambitious target of saving more than 200,000 barrels of oil equivalent a day by 1980, and, like the chemical industry, it passed that goal in 1978.

It has done it through better insulation and new, sophisticated heat exchangers. It also uses process-generated high-pressure liquid and gas to drive turbines, generate electricity, or do mechanical work. It has also converted flue gas to carbon dioxide to produce steam for generators.

The primary metal industries – iron, steel, and aluminium – are the largest industrial consumers of energy. They have set a goal of 9 per cent improvement, – a equivalent of over 200,000 barrels of oil a day. By 1978 they had met their goal.

Among the methods the report are: phasing out old obsolete facilities, burning less coke per ton of pig iron produced, installing more efficient electric furnaces and recovering waste heat.

The transportation equipment industry has exceeded its target of 16 per cent improvement. By 1978 it had reached a 21 per cent improvement.

Industry officials say they have done it by using plastic parts in place of metal ones, redesigning gears to reduce heat-treating time, and installing electric induction heating.

Textiles, fabricated metal and stone and glass industries had not reached their 1980 goals by 1978 but were well above projected trends.

Textile firms use techniques such as better insulation, better refrigeration, more efficient boilers, reclaiming waste heat, reducing processing temperatures eliminating some processing steps, and cutting drying time to a minimum.

Brick makers report using better insulation in kilns.

Portland cement makers are using a dry-process kiln which they say is 18 per cent more efficient.

Fabricated metal companies have rebuilt and insulated their furnaces and report a 22 per cent improvement in energy efficiency.

Only paper manufacturers are struggling to meet their goal of 20 per cent improvement. By 1978 they had improved 4 per cent, primarily by converting boilers from oil to wood-burning to take advantage of waste wood as fuel. One mill now gets 80 per cent of its energy from that source.

The results, though impressive, raise the question: Where will future improvements come from?

"The easy economies have already been made," American officials say. "From now on it's going to take hard engineering, waiting for old equipment to wear out, and innovations in processing."

Entire factories may have to be abandoned and people retrained.

For example, the aluminium industry used eight kilowatts to produce a pound of aluminium in 1978. It is rapidly switching to new processes that will cut that figure to five, even four, kilowatts by the end of the century, maybe sooner.

Meantime, officials say, "we have ceased this relentless climb in energy consumption. We have even cut back. The year 1978 will go down in history as the year we used the most energy. And that's a pretty important fact."

ESCALATING energy costs are the most effective means of inducing conservation in New Zealand.

Since the Government upped bulk electricity tariffs by 60 per cent last year, the Inland Revenue Department has been receiving dozens of applications every week for the energy conservation tax incentives introduced in the 1978 Budget.

Most applications are for conversion to natural gas in factories, to utilise waste heat and conversion of vehicles to LPG or CNG.

Even so, recent reports by the Planning Council suggest there is little emphasis put on energy conservation by industry. Energy is regarded as a fixed cost, part of the overheads and not always as a short-term controllable variable cost.

A change in attitude is likely to occur only as the economy picks up and industry invests for expansion. Then, some planners argue, a cash incentive rather than a tax rebate will induce firms to make energy-conscious choices when selecting new machinery and production alternatives.

Plastics

IDC textile precedent shadows plastics study

by Rae Mazengarb

THE plastics industry could be in for some shake-ups if the Industries Development Commission goes to the same lengths with plastics as it did with textiles – and if its recommendations are adopted to the same degree by Cabinet.

For if the textile outcome showed anything, it made it clear that the Government was serious when it pledged itself to "restructure the New Zealand economy". What this really meant, was it would weed out the dead wood in order to allow efficient producers to develop.

The "Plastics Industry Development Study" was announced in the 1979 Budget as one of 11 reviews covering manufacturing groups for which the Tariff Review Committee – which reported in 1978 – did not feel able to recommend a revised tariff structure without the benefit of a comprehensive investigation.

Prime Minister Rob Muldoon saw the studies as a means to determine "the potential of specific sectors to contribute to New Zealand's economic growth, and the degree of support, whether by way of protection or otherwise, required to realise that potential".

But he couched a warning for the inefficient when he said: "It is to be expected that these reviews will point to areas in some industries where changes may be desirable . . .

The IDC's task has been to:

- Inquire into the current state of the plastics industry and its potential to contribute to economic growth;
- Recommend a strategy for the industry's future development and action to be taken by the industry, Government and related sectors
- Report by June 30 1980.

But even with the first of the public hearings just a month or two away, it is too soon to suppose how the industry is shaping up.

Submissions were slow to come in from both individual companies and industry groups and so the exercise took some time to get underway, considering the tight deadlines imposed.

There are already suggestions from several quarters, that the IDC will not be ready to report on the due date.

While IDC chairman Ted Tarrant maintains that it is "premature" to say the commission won't be reporting on time, he hasn't totally ruled out that possibility.

"We would seek an extension, rather than present an unsatisfactory or incomplete report," he said.

Like all these things, it took a while for the industry to get into gear, "but that side is now under full sail", Tarrant said.

Because the industry – for the purpose of the exercise – is divided into some 17 different sector groups, the study is progressing at various stages according to the data gathered for each group.

Some parts will be completed on time, but the commission is uncertain about other aspects.

And it would be reluctant to report on the industry as a whole, without the benefit of the completion of all sectors, Tarrant said . . . "unless we are forced".

Plastics Institute too, is known to be determined to do the study properly – regardless of the rigid time scale laid down. There is some speculation therefore, that the commission itself, might take the initiative and seek a time extension.

Meanwhile, both groups are burning the midnight oil.

PINZ received guidelines for submissions in early December 1979 and quickly distributed questionnaires among its 240 member companies. In addition to taking part in the PINZ trade group study, the institute is encouraging companies to lodge individual submissions.

So far, PINZ has received only about 60 returns, which are being collated into sector groups and processed for forwarding to the commission.

But executive director Bruce Dunlop, though admitting the timing "makes things difficult", said the response has been encouraging.

"We're finding it a positive performance . . . the study and the questionnaire has forced companies to think about lots of things they haven't thought about before," he said.

Tarrant too, commented that rather than developing attitudes of despondency toward the study, many companies were encouraging in their support.

As expected, not all submissions are well developed, but some companies have worked hard to ensure that the commission is on the receiving end of as wide a range of inputs as possible. One company at least, is believed to have devoted some \$20,000 by way of executive man-hours toward compiling its submissions.

The IDC too, has been working solidly on the venture, working its way around factories in Auckland, Wellington, Christchurch, Hawke's Bay, the Wairarapa, and other districts.

By early last week, some 50 factories had been visited; but members of the study group were unwilling to convey any impressions of the industry, except to say the exercise has been enlightening.

While some factories no

Continued on Page 30

Ted Tarrant . . . "under full sail".

John Mason . . . has every confidence

IDC study fails to excite consumer interest

CONSUMERS have failed to come to the party during the IDC study on the plastics industry.

Their complacency might just indicate they are completely happy about the state of the industry. But commission chairman Ted Tarrant describes the response as "disappointing".

By last week, the IDC had expected to hear from the retailing sector, consumer groups such as the Consumers Institute, and consumers generally, but they had "not yet volunteered their interest", he said.

When the IDC released the guidelines for the study late last year, it pointed out the organisational scope of the investigation would involve consultation with all parties "involved in or associated with" the plastics industry.

Aside from manufacturers, importers and distributors, the commission called for submissions from retailers, trade unions, consumer organisations and technical training organisations.

Commission member Harry Martin said there were vast numbers of end products, particularly tableware and tapes, which consumers could have been expected to comment on.

"One could assume consumers are happy," Martin suggested, "but that doesn't absolve us from having regard to them. We're obliged to find out from consumers themselves . . ."

And consumers are not the only groups outside of the industry itself to be affected by the outcome.

The IDC plan on textiles was adopted almost in toto by Government, despite cries that without labour re-deployment plans and the finance required to implement them, massive unemployment in the industry would result.

Mindful of the fundamental employment aspects of any "restructuring" plan, (if that is what the IDC intends,) commission members are now taking steps to inject some interest from unions into the study.

The IDC would soon be meeting with representatives from the engineering and metal trades union, Martin said. "We think it's important."

Plastics

Hot air threatens rotational casting firm's future

by John Draper

TOO much hot air and few facts are threatening the future of Christchurch-based Rotoplas Industries Ltd.

Hot air, preferably heated by gas, is essential to the company's manufacture of rotational plastic castings.

But some time in the near future, perhaps March 1982, the Christchurch Gas Coal and Coke Company Ltd is expected to turn off the supplies of town gas.

Energy Under-secretary and Gas Council chairman Barry Brill has assured Christchurch manufacturers that the gas will not be turned off before adequate supplies of LPG are available.

Domestic consumers can expect a Government grant or loan in switching to alternative energy sources — electricity — but as yet there are no such assurances for manufacturers.

Rotoplas works manager and director John Morse says the changeover is likely to cost the company $100,000 "just to stand still".

Gas was the most efficient way of heating air used for producing plastic casing casks for the freezing industry, drums, tanks and boxes, Morse said.

Conversion to electricity has been investigated, but the lower efficiency and $130,000 cost is off-putting. Ideally, the company wants low-pressure LPG delivered through the existing pipeline to avoid the need for a 20-tonne tank on its premises.

Again, Morse says there is a lot of talk about that possibility, but little fact.

Installing an LPG tank has its own problems. Existing regulations require a tank to be sited in the open at least 15 metres from other buildings, a condition Rotoplas may find difficult to meet.

"That is a lot of valuable industrial land — and we have not got that much," Morse said.

Rotoplas does have vacant land behind its existing premises but the land is earmarked for development as the company grows.

"If we put the tank on that, then we end any future hopes for further expansion," Morse said.

LPG is expected to be more expensive than town gas now supplied, though even that will rise in price when Government subsidies are removed.

"We have no idea how much it is going to cost nor how good the certainty of supply will be. Based on past records, we have our doubts," Morse said.

Plans to have bulk LPG available by June 1981 appeared to be set back by Onehunga's City Council's rejection of a planning application for bulk tanks to be built at the port. A similar planning application to Lyttelton Borough Council has been withdrawn.

This year, Totplas joined the $1 million-plus turnover club, 40 per cent indirectly for export. The firm is the main supplier of casing casks to all South Island and several lower North Island freezing works.

Relocating elsewhere has already been dismissed.

"That will cost $200,000 and take six months to accomplish," Morse said.

"It is not a plant that can be moved in bits and pieces. We would have to stop production for six months and in the present business climate I doubt whether there will be a market for us by the time we got going again."

And moving would almost certainly add to the firm's freight costs. Located close to Christchurch goods yard, helps keep the growing freight bill to a minimum. Money was the main problem, Morse said.

"If someone said 'we understand, we will assist you,' that would be fine."

"But where is this company going to find the money to invest just to stay where we are?"

The Canterbury Manufacturers' Association is having talks with Ministry of Energy officials, pointing out the problems faced by Rotoplas and other Christchurch industries. The association said that some of these are major employers and may be forced to move elsewhere unless the Government gives some assistance in the switch to alternative energy sources.

Plastic warships make splash

YARROW Shipbuilders on the Clyde, has opened a $24 million complex to build two Hunt class mine-countermeasure vessels in glass-reinforced plastic.

Yarrow chairman Bob Easton said the technological advance is "as fundamental as the change from riveting to welding".

Easton said: "The most pressing need for many navies today is for a light warship that is capable of a powerful punch and has full electronic equipment."

Top speed is more than [illegible] knots, with a range exceeding 13,000km at a cruising speed of 14 knots, without refuelling.

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doubt presented a better front than others, commission members were not willing to talk about it.

So if any sectors — or sector members — currently being scrutinised have shown themselves out as inefficient and possibly due for exclusion from any development plans, the IDC is not letting on; it is possible it doesn't yet know.

But some companies have complained bitterly about the fleeting nature of some of the IDC visits, saying they doubt the ability of commission members to assess the efficiency of factories at such speed.

The more vocal have succeeded in prolonging the visits.

According to Dunlop, the sorting-out process — if there is to be one — should not be too painful.

"The plastics industry tends to be more efficient (than textiles). Though it requires longer runs to make it more efficient, plastics is not as labour-intensive as the textile industry," he said.

Institute president John Mason is similarly hopeful. "We have every confidence that the plastics industry will show up in good light as a result of the study as an efficient contributor to the New Zealand economy and as having greater potential for future growth," he said.

But it is useful to take a step back and look at what happened in the textiles area in order to gain a broad overview of the attitude which could be taken by the commission, as adopted by cabinet;

- A free trade stance, relaxation of import licensing and the distinction between "needed" levels of protection and levels which could be justified in the Government's view;
- The transfer of resources into identifiable growth areas and the allowance of market forces to weed out the inefficient operators.

Plastics

Industry study looms over institute conference

by Rae Mazengarb

PLASTICS Institute of New Zealand conference delegates will this year find the industry study overshadows all the issues which have headed the agenda in the past.

Also to the forefront, and something which is bound to attract some vigorous debate — not to mention a fair share of lobbying — is the possibility of local manufacture of plastic raw materials.

Issues to be considered along with the outcome of the IDC study — future trade relationships with Australia and external trade and tariffs generally — are also expected to take quite a slice of conference time.

Somewhat up-staged by all these, exporting, marketing and company profitability are topics which will nonetheless provide fuel for thought and worry for delegates.

This year marks a switch from the former twice-yearly affair. The institute has combined the annual general meeting with the annual conference for the sake of time and reduced costs.

But "the conference will be one of the most important ever to be held by the industry", according to PINZ president John Mason, and the institute would be making some important policy announcements following a series of industry surveys.

The keynote speaker — being bought out from Australia at the institute's expense — is director of the Plastics Institute of Australia, Bob Leschen.

He will present a paper on the future of New Zealand-Australian relationships as pertaining to the plastics industry and the development of the industry in Australia.

The address by Ken Fletcher of the Industries Development Commission, should also attract interest as delegates seek to determine the probable outcome of the industry study.

At previous conferences, members have questioned the use of such industry-wide studies, saying that they represent not just one industry, but a whole range.

They have tended to doubt the worth of studies which they have seen to strike a balance of the industry's worth to the nation as a whole.

But there are indications that the present study has met with measured support, probably because of the sector-by-sector approach which the IDC has adopted.

THE 1980 Plastics Institute of New Zealand conference — to be held at Nelson April 26 to 28 — should be "the most important ever to be held by the industry". Guest speakers will include Bob Leschen, director of the Plastics Institute of Australia, and Ken Fletcher of the Industries Development Commission.

But there is some doubt being expressed that the IDC would have made much progress by conference time.

So far, PINZ has completed its submissions for sectors eight and 12 of the inquiry (flexible films and bags) and a draft version for sector two (pipes and tubing) is almost ready for the commission. There are still some 14 sectors to be processed.

Petrocorp and Ministry of Energy officials are also expected to participate in a workshop session on the "petro-chemical industry in New Zealand".

This subject should be a contentious one, sources predict, because of the diverse nature of the plastics industry.

Last year Petrocorp put a proposal before the Government for local polyethylene production using the Maui gas-based feedstock ethane.

Ethane can be converted to polyethylene more cheaply than other processes which suffer from energy losses in the conversion from the heavier hydro-carbons.

Though the consultants originally talked about a plant producing around 375,000 tonnes a year, a change in the Government's plans for gas use could mean a plant capacity as low as only 70,000 tonnes.

Despite some vocal opponents to such a scheme, there is significant support for a local petrochemical plant producing raw materials for the plastics industry, with the rider that such a plant be proven to be economically viable.

On the trade issue, delegates will be calling for continued protection from low labour cost countries in Asia, who have, along with their own high tariff protection, low tax rates or export subsidisation schemes.

On the New Zealand-Australian free trade front, while the institute supports the principles laid down by the local Manufacturers' Federation and the recent joint communique issued by both countries' Prime Ministers, delegates will be looking for assurance that the industry won't be "swamped" by the larger Australian counterparts, should a completely free market system prevail.

While those are the main issues, the conference will also discuss the current position of the plastics industry and its strategic importance to New Zealand's future economic growth.

There will also be a bit of soul-searching over the industry's net financial contribution to the country's balance of payments.

But there is a brighter side, for those who are attracted by the frivolous.

Just one of the more pleasing attractions to wind up the conference, is a medieval banquet. A fancy dress affair, delegates are instructed "to apply your imagination to producing the best and most novel costume".

Maui leads into local production questions

by Rae Mazengarb

THE potential for a local plastic raw materials manufacturing industry is one of the vexed questions which will be hammered out at the 1980 PINZ conference.

Already the flexible film and bag sectors have indicated they support such a scheme "in principle", provided that the indigenous product is not only price competitive but also competitive in terms of quality with internationally available resins.

Individual companies are also pressing their views.

Trigon Plastics general manager Len Belz said without reservation that a local petro-chemical industry would make "economic sense".

He said that we should have one, and it should be based on modern technology offering a wide range of polyethylene resins and resins for specialist applications which were readily exportable.

Transparent Packaging general manager Allan Bloomfield took a similar stance, provided production was price competitive.

But he warned against scaled-down plants which would be marginally economic.

Raw materials supplier Brian Pickering took the opposing view, that the market was just not big enough to support even a 100,000 tonne/year plant.

Prices would be higher if the raw materials were produced here and local industry would be crippled in no time, he said.

The issue is one which PINZ president John Mason will be throwing open to the industry.

Mason said many sectors were concerned about the ability of a local industry to be price competitive, relative to imports.

In respect of the proposals for Maui development: "We would hope that sufficient homework is being done on the true market potential, bearing in mind our freight disadvantages," he said.

One of the prime issues is our ability to export the surplus to world markets at competitive prices.

Belz therefore argued for a 100,000 tonnes a year plant which would be capable of producing a wide range of resins.

"Provided the manufacturing process is selected, we could make specialised resins which would have a really exportable market," he said.

Others take the view that the plant ought to make only a "common garden" resin; some go as far as stating a plant would not be capable of producing a range of products. They add, we would end up dumping the surplus — perhaps up to 75 per cent of production.

But Belz pointed to the companies around the world — Du Pont, for instance — which already operate the type of plant he envisaged. They have the ability to make a wide range of specialist resins for specialist applications, he said.

With a similar plant here, local industry could manufacture resins with characteristics not generally available elsewhere. Even Australia would be a potential market, he said.

Belz pointed out, that whoever would undertake construction of such a plant should have marketing outlets, so that they could guarantee to place the "surplus" at good prices. "We don't want the local price, supporting the export price," he said.

"An integrated petrochemical industry must be of benefit," Bloomfield said.

He also pointed out the benefits of producing a "premium-type product", regarding overseas marketing. "But it is essential that the products produced are viable from the point of view of cost," he said.